Nordea

Copenhagen, Helsinki, Oslo, Stockholm, 26 January 2017

Fourth Quarter and Full Year Results 2016

CEO Casper von Koskull's comments on the results:

"2016 has probably been the most eventful year in the history of Nordea. On top of macro and regulatory challenges for the sector, Nordea has addressed significant media attention and started to implement a profound transformational change agenda. Two major achievements have been the creation of a new legal structure and launching a term deposit product on the new core banking platform. Despite a challenging revenue situation in 2016, we have throughout the year improved our net interest margin; for 2016, the inflow to our Assets under Management reached an all-time high, and we have confirmed our leading Nordic position in corporate advisory operations. Cost performance and credit quality are in line with our guidance. Our CET1 ratio improved 190 bps in 2016 to 18.4%, and RoE was 11.5%[1,2]. Nordea's Board of Directors proposes a dividend per share of EUR 0.65.

We also expect 2017 to be eventful, and we are well-prepared to deal with the challenges. Our strategic direction is clear. Our strong balance sheet and robust business model will enable us to further invest in our platform and thereby transform the bank. We continue to focus on the creation of a fully digital platform, improving customer satisfaction and transforming the organisation to be best in class in compliance, with a strong ethics and a values culture that can fulfil our obligations to society and deliver value to our customers and shareholders."

(For further viewpoints, see CEO comments on page 2)

Full year 2016 vs. Full year 2015[1,2] (Fourth quarter 2016 vs. Fourth quarter 2015[1,2])

- Total operating income[1] -2%, in local currencies -1% (+5%, in local currencies +5%)
- Total expenses[2] +4%, in local currencies +5% (+9%, in local currencies +10%)
- Operating profit[1,2] -9%, in local currencies -8% (+2%, in local currencies +2%)
- Common equity tier 1 capital ratio 18.4%, up from 16.5%
- Cost/income ratio[1,2] up to 50% from 47.1% (up 2% -point from 49%)
- Loan loss ratio of 15 bps, up from 14 bps (down 1 bps from 17 bps)
- Return on equity[1,2] 11.5%, down from 12.3% (up 1.4%-points from 11.5%)
- Diluted EPS EUR 0.93 vs. EUR 0.91 (EUR 0.27 vs. EUR 0.21)
- Proposed dividend per share of EUR 0.65 vs. actual dividend per share of EUR 0.64 for 2015

Summary key figures	**Q4**	Q3		Loc.	Q4		Loc.	Jan-Dec	Jan-Dec		Loc.
EURm	**2016**	2016	Chg %	curr. %	2015	Chg %	curr. %	2016	2015	Chg %	curr. %
Net interest income	**1,209**	1,178	3	2	1,203	0	0	4,727	4,963	-5	-3
Total operating income[1]	**2,588**	2,466	5	5	2,469	5	5	9,754	9,964	-2	-1
Total operating income	**2,610**	2,466	6	6	2,645	-1	-1	9,927	10,140	-2	-1
Profit before loan losses	**1,377**	1,283	7	7	1,169	18	17	5,127	5,183	-1	0
Net loan losses	**-129**	-135	-4	-3	-142	-9	-6	-502	-479	5	9
Operating profit[1,2]	**1,140**	1,148	-1	-1	1,114	2	2	4,366	4,791	-9	-8
Operating profit	**1,248**	1,148	9	9	1,027	22	21	4,625	4,704	-2	-1
Diluted earnings per share, EUR	**0.27**	0.22			0.21			0.93	0.91		
ROE[1,2], %	**12.9**	11.6			11.5			11.5	12.3		
ROE, %	**13.9**	11.6			11.1			12.3	12.2		

Exchange rates used for Q4 2016 for income statement items are for DKK 7.4453, NOK 9.2943 and SEK 9.4675.

[1] Excl. non-recurring items (Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m before tax, Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to Visa of EUR 22m before tax).

[2] Excl. non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).

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Nordea is among the ten largest universal banks in Europe in terms of total market capitalization and has around 11 million customers, 31,500 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. We have a broad expertise across the wide range of products, services and solutions that we provide within banking, asset management and insurance. In Nordea we build trusted relationships through our strong engagement with both customers and society.

CEO comment

Business environment in 2016*

2016 was probably the most eventful year in the history of Nordea. Continued negative rates, regulatory uncertainty and digital transformation have been in focus for the sector. The unexpected outcome of both the referendum in the UK and the US presidential elections created short term turmoil on financial markets, although it seems like investors have become accustomed to dealing with geopolitical uncertainties.

Since 2010 we have been used to working in an environment of low-intensive growth, with constantly lower interest rates which have put pressure on revenues and forced us to work even harder with efficiency. Global GDP growth has varied between 2.4% and 4.4% for 2016 and for 2017 the expectations are around 3%. In our Nordic home markets, Sweden continues to be the best performing market, although we expect growth to come down, and in the other markets we expect a slow growth recovery.

In addition, Nordea has embarked on a significant transformational change agenda, including investment in a new core banking platform, a new legal structure, investment in compliance functions and implementing a new business culture. Two major achievements have been the creation of a new legal structure and launching a term deposit product on the new core banking platform.

Total revenues decreased 1% compared to 2015, but improved by 5% from the previous quarter.

Net interest income was down 3% in local currencies compared to 2015, and up 2% from the previous quarter in local currencies. Negative rates put pressure on deposit margins, which was partly offset by higher lending margins. The net interest margin improved from 84 bps in the first quarter of 2016 to 90 bps in the fourth quarter. Volume growth remained subdued, but with sustained demand for mortgages in Sweden.

Fee and commission income was up 1% in local currencies compared to 2015, mainly driven by Asset Management, where revenues were up 9% on the back of higher volumes. In H2 2016 we saw improved momentum on a 12-month rolling basis. Inflow reached an all-time high of EUR 19.3bn in 2016, although the fourth quarter was lower due to outflow from the Wholesale Distribution. Nordea's leading position in corporate advisory services is confirmed.

Costs increased by 5% in local currencies compared to 2015; however, excluding Group projects, costs were up 2%. The cost-to-income ratio was 50% compared to 47% in 2015. In Q4 2016 we reported a positive gain from changes to pension agreement in Norway of EUR 86m.

* All P&L figures are in local currencies and exclude non-recurring items

We expect a cost growth of approx. 2-3% in 2017 vs. reported costs in 2016 and flat costs in 2018 compared to 2016.

Credit quality remained solid; the total loan loss level was at 15bps, of which 3 bps were collective. Impaired loans were down by 3% from the previous quarter.

More than 90% of the losses in the fourth quarter came from our Oil and Offshore exposures. We expect largely unchanged credit quality in the coming quarters.

Return on equity was 11.5% in 2016, down from 12.3% in 2015.

Capital generation remained strong and the CET1 ratio improved 50 bps to 18.4% compared to 17.9% in the previous quarter. The capital policy remains unchanged i.e. to have a management buffer of 50-150bps above the minimum requirement. The current level is within that range at approx.100 bps above the expected requirement in Q4 2016.

Nordea's Board of Directors proposes a dividend per share of EUR 0.65, compared to the dividend per share of EUR 0.64 for 2015. The pay-out ratio decreased to 70%, from 71% for 2015.

As of the fourth quarter of 2016, Retail Banking has been split into Personal Banking and Commercial and Business Banking in order to get a clearer customer focus and enable us to adjust to the rapid changes in customer demands.

On 2 January, 2017, the cross-border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed. Consequently, all assets and liabilities of the subsidiary banks have been transferred to Nordea Bank AB (publ), and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA has been dissolved. The banking business in Denmark, Finland and Norway will be conducted in branches of Nordea Bank AB (publ). A simpler structure decreases complexity and enables us to focus on even better experiences to our customers. Additionally, it further strengthens governance.

We also expect 2017 to be eventful, and we are well-prepared to deal with the challenges. Our strategic direction is clear. Our strong balance sheet and robust business model will enable us to further invest in our platform and thereby transform the bank. We continue to focus on the creation of a fully digital platform, improving customer satisfaction and transforming the organisation to be best in class in compliance, with strong ethics and values culture that can fulfil our obligations to society and deliver value to our customers and shareholders.

Casper von Koskull
President and Group CEO

Income statement

EURm	Q4 2016	Q3 2016	Chg %	Local curr. %	Q4 2015	Chg %	Local curr. %	Jan-Dec 2016	Jan-Dec 2015	Chg %	Local curr. %
Net interest income	**1,209**	1,178	3	2	1,203	0	0	4,727	4,963	-5	-3
Net fee and commission income	**867**	795	9	9	821	6	6	3,238	3,230	0	1
Net result from items at fair value	**498**	480	4	5	421	18	20	1,715	1,645	4	4
Equity method	**4**	-2			3			112	39		
Other operating income	**32**	15			197			135	263		
Total operating income	**2,610**	**2,466**	**6**	**6**	**2,645**	**-1**	**-1**	**9,927**	**10,140**	**-2**	**-1**
Total operating income, excl. non-recurring items[1]	**2,588**	**2,466**	**5**	**5**	**2,469**	**5**	**5**	**9,754**	**9,964**	**-2**	**-1**
Staff costs	**-687**	-743	-8	-7	-956	-28	-28	-2,926	-3,263	-10	-9
Other expenses	**-475**	-389	22	23	-455	4	6	-1,646	-1,485	11	12
Depreciation of tangible and intangible assets	**-71**	-51	39	30	-65	9	8	-228	-209	9	11
Total operating expenses	**-1,233**	**-1,183**	**4**	**4**	**-1,476**	**-16**	**-16**	**-4,800**	**-4,957**	**-3**	**-2**
Total operating expenses, excl. non-recurring items[2]	**-1,319**	**-1,183**	**11**	**11**	**-1,213**	**9**	**10**	**-4,886**	**-4,694**	**4**	**5**
Profit before loan losses	**1,377**	**1,283**	**7**	**7**	**1,169**	**18**	**17**	**5,127**	**5,183**	**-1**	**0**
Net loan losses	**-129**	-135	-4	-3	-142	-9	-6	-502	-479	5	9
Operating profit	**1,248**	**1,148**	**9**	**9**	**1,027**	**22**	**21**	**4,625**	**4,704**	**-2**	**-1**
Operating profit, excl. non-recurring items[1,2]	**1,140**	**1,148**	**-1**	**-1**	**1,114**	**2**	**2**	**4,366**	**4,791**	**-9**	**-8**
Income tax expense	**-148**	-260	-43	-43	-179	-17	-18	-859	-1,042	-18	-17
Net profit for the period	**1,100**	**888**	**24**	**24**	**848**	**30**	**29**	**3,766**	**3,662**	**3**	**4**

Business volumes, key items[3]

EURbn	31 Dec 2016	30 Sep 2016	Chg %	Local curr. %	31 Dec 2015	Chg %	Local curr. %
Loans to the public	**317.7**	325.6	-2	-3	340.9	-7	-7
Loans to the public, excl. repos	**298.5**	299.1	0	0	308.6	-3	-3
Deposits and borrowings from the public	**174.0**	187.4	-7	-7	189.0	-8	-8
Deposits from the public, excl. repos	**170.0**	172.7	-2	-2	179.6	-5	-5
Total assets	**615.7**	657.2	-6	-5	646.9	-5	-6
Assets under management	**322.7**	317.4	2		288.2	12	
Equity	**32.4**	31.1	4		31.0	4	

Ratios and key figures[7]

	Q4 2016	Q3 2016	Q4 2015	Jan-Dec 2016	Jan-Dec 2015
Diluted earnings per share, EUR	**0.27**	0.22	0.21	0.93	0.91
EPS, rolling 12 months up to period end, EUR	**0.93**	0.87	0.91	0.93	0.91
Share price[3], EUR	**10.60**	8.85	10.15	10.60	10.15
Total shareholders' return, %	**27.5**	28.7	5.5	16.3	8.2
Proposed/actual dividend per share, EUR	**0.65**	0.64	0.64	0.65	0.64
Equity per share[3], EUR	**8.03**	7.69	7.69	8.03	7.69
Potential shares outstanding[3], million	**4,050**	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	**4,038**	4,038	4,035	4,037	4,031
Return on equity, %	**13.9**	11.6	11.1	12.3	12.2
Return on equity, % - excl. non-recurring items[1,2]	**12.9**	11.6	11.5	11.5	12.3
Cost/income ratio, % - excl. non-recurring items[1,2]	**51**	48	49	50	47
Loan loss ratio, basis points[4]	**16**	16	17	15	14
Common Equity Tier 1 capital ratio, excl. Basel I floor[3,5], %	**18.4**	17.9	16.5	18.4	16.5
Common Equity Tier 1 capital ratio, incl. Basel I floor[3,5], %	**11.5**	11.3	10.8	11.5	10.8
Tier 1 capital ratio, excl. Basel I floor[3,5], %	**20.7**	20.1	18.5	20.7	18.5
Total capital ratio, excl. Basel I floor[3,5], %	**24.7**	24.1	21.6	24.7	21.6
Tier 1 capital[3,5], EURbn	**27.6**	27.4	26.5	27.6	26.5
Risk exposure amount excl. Basel I floor[5], EURbn	**133**	136	143	133	143
Risk exposure amount incl. Basel I floor[5], EURbn	**216**	218	222	216	222
Number of employees (FTEs)[3]	**31,596**	31,307	29,815	31,596	29,815
Economic capital[3], EURbn	**26.3**	26.4	25.0	26.3	25.0
ROCAR[1,2,6], %	**15.5**	13.2	14.0	13.4	14.8

[1] Excl. non-recurring items (Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m before tax, Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to Visa of EUR 22m before tax).

[2] Excl. non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).

[3] End of period.

[4] Including Loans to the public reported in Assets held for sale.

[5] Including the result for the period.

[6] ROCAR restated Q4 2015 and Jan-Dec 2015 due to changed definition.

[7] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

Table of contents

Macroeconomy and financial markets

The final quarter of 2016 marked the end of a year characterised by political uncertainty. In the US, Republican candidate Donald Trump won the presidential election. In Europe, a referendum in Italy rejected a law to amend the Italian constitution, which subsequently led to the resignation of Prime Minister Matteo Renzi in December. Moreover, uncertainty continued to loom over the terms of the UK's exit from the EU. The global economy continued to struggle with slow growth, weak investments, deflationary pressures and decreasing cross-border trade in goods and services. Growth in Europe continued along its low but stable real rate of 1.7% (y/y), supported by domestic demand. In order to spur inflation, the European Central Bank pledged to extend its quantitative easing programme for an additional nine months until December 2017, but also stated that it would lower its monthly purchases by March. In the US, economic growth improved on the back of improving investments to 1.7% (y/y). The labour market remained strong and subtle signs of inflationary pressures emerged, which led the Federal Reserve to increase interest rates by 0.25% in December as expected by the market. The emerging economies remained affected by low levels of trade, investments and the structurally slowing Chinese economy, which however showed improving data for business confidence. Financial markets reacted positively to Donald Trump's election in the US on expectations of increased fiscal stimulus resulting in higher yields in fixed income markets and higher equity prices. In particular, US equity markets recorded a new all-time high in the fourth quarter of 2016, whereas emerging markets reacted more adversely to the US election results. European equity markets ended the quarter 9.6% higher – recouping the loss for the year. US equity markets were 3.2% higher. US 10-year yields increased substantially by 85 bps, whereas German 10-year yields increased 33 bps during the quarter, and the EUR/USD exchange rate fell by 6.4% to 1.05.

Denmark
The Danish economy expanded by 1.1% in the third quarter of 2016. In that period household consumption rose by 1.2% while exports rose by 1.4%. Danish exports have been slowing due to a significant slowdown in shipping activity and declining North Sea oil and gas production. Housing prices have been rising, with declining mortgage rates and higher employment contributing to a broad-based increase. The Danish central bank kept the key interest rate unchanged in Q4 even though the Danish krone appreciated versus the euro. In December, the central bank intervened on a small scale in the foreign exchange market to keep the currency within the peg range. Danish equities rose 0.4% during the quarter while 10-year government bond yields increased 32 bps to 0.30%. The spread to the German 10-year government bond was stable.

Finland
The Finnish economy continued its slow recovery with improving consumption, investments and industrial production in Q3 and economic sentiment indicators also improved in Q4. The improving economy has led to lower unemployment rates in Q4. Domestic demand remained the key driver of growth, while exports remained subdued. The Finnish public sector austerity has led to a declining deficit and a decline in real public expenditure, excluding social security funds. Inflation remained low, albeit trending higher. Finnish equity markets gained 3.2% during the quarter and 10-year Finnish government bond yields rose almost in tandem with German yields, ending the quarter 0.34% higher.

Norway
Growth data from Q3 showed signs of a slowing Norwegian economy, as the contraction in oil related businesses continued to weigh on the economy. Still, the backdrop for the rest of the economy was rather good and unemployment was stable. The negative trend in retail sales appeared to stabilise and retail sales increased somewhat in Q4. Housing prices showed no signs of weakness with growth of 11.5% (y/y) in November. Core inflation slowed down in the autumn and was 2.6% in November, after hovering above 3% for most of 2016. Norges Bank kept key rates unchanged at 0.5% at the December meeting, signalising that it does not expect the need for further rate cuts. The 10-year government bond yield increased by 44.5 bps in Q4 to 1.63%. The Norwegian krone was 2.0% weaker in trade-weighted terms and Norwegian equities were up by 11.9%.

Sweden
Swedish GDP growth remained strong with growth reported at 2.8% in the third quarter, and key indicators suggest that growth momentum extended into the fourth quarter, albeit at a slower pace. Domestic demand continued to show robust growth rates, whereas exports saw declining growth rates. Employment remained on its steadily upward trend, while the unemployment rate fell only gradually due to the large inflow of labour. Consumer price inflation remained on its rising trend at 1-1.4% (y/y), boosted by rising energy prices. Long-term inflation expectations rose closer towards the 2% inflation target. The Riksbank left the key policy rate unchanged at -0.50% in December, but announced an extension of the bond purchase programme by SEK 30bn for the first half of 2017. The trade-weighted Swedish krona weakened initially in Q4 but regained most of its losses and ended the quarter only slightly weaker. Swedish equities rose by 5.4%. Ten-year government bond yields rose 38 bps to 0.54%, driven by expectations of higher growth and inflation globally.

Group results and performance

Fourth quarter 2016

Net interest income

Net interest income in local currencies increased 2% from the previous quarter. Lending margins improved, while deposit margins were stable.

Net interest income for Personal Banking was up 2% in local currencies from the previous quarter, driven by higher mortgage margins in Denmark.

Net interest income for Commercial & Business Banking was up 1% in local currencies from the previous quarter and largely unchanged adjusted for a non-recurring item from the previous quarter.

Net interest income in Wholesale Banking was down 2% in local currencies from the previous quarter, mainly driven by lower volumes, which decreased by 1% in local currencies. Lending margins were up slightly.

Net interest income in Wealth Management was up 7% in the quarter from the previous quarter driven by a positive seasonal effect and improved lending margin as well as volumes.

Net interest income in Group Corporate Centre was up 20% to EUR 132m compared to EUR 108m from the previous quarter.

Lending volumes
Loans to the public in local currencies, excluding repos, unchanged from the previous quarter. Average lending volumes in local currencies in business areas were marginally unchanged in Personal Banking, Commercial Banking and Wealth Management, but slightly declined in Wholesale Banking.

Deposit volumes
Total deposits from the public in local currencies, excluding repos, decreased by 2% from the previous quarter. Average deposit volumes in business areas were stable.

Net interest income per business area

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Chg local curr. Q4/Q3	Chg local curr. Q4/Q4
Personal Banking	544	536	520	512	520	1%	5%	2%	6%
Commercial & Business Banking	276	273	282	279	302	1%	-9%	1%	-9%
Wholesale Banking	203	204	209	214	251	0%	-19%	-2%	-19%
Wealth Management	30	28	28	26	36	7%	-17%	7%	-21%
Group Corporate Centre	132	108	125	131	102	22%	29%	n.m	n.m
Other and eliminations	24	29	8	6	-8	-17%	n.m	n.m	n.m
Total Group	**1,209**	**1,178**	**1,172**	**1,168**	**1,203**	**3%**	**0%**	**2%**	**0%**

Change in Net interest income

EURm	Q4/Q3	Jan-Dec 16/15
NII beginning of period	**1,178**	**4,963**
Margin driven NII	**13**	**-41**
Lending margin	13	62
Deposit margin	0	-103
Volume driven NII	**0**	**61**
Lending volume	-1	56
Deposit volume	1	5
Day count	0	14
GCC	22	19
Other*	-4	-289
NII end of period	**1,209**	**4,727**
*of which FX	7	-90

Net fee and commission income

Net fee and commission income increased 9% in local currencies from the previous quarter mainly due to a strong trend in savings and investment commissions.

Savings and investment commissions

Net fee and commission income from savings and investments increased 10% in local currencies from the previous quarter. A sustained increase in Assets under Management (AuM) supported AM and Life fees.

Business activity was relatively high in brokerage and corporate finance fees.

In the fourth quarter performance-related fees were EUR 16m vs. EUR 0m in the previous quarter.

Net outflow amounted to EUR 0.2bn, due to outflow in Wholesale Distribution.

Payments and cards and lending-related commissions

Lending-related net fee and commission income increased 2% in local currencies to EUR 172m from the previous quarter. Payments and cards net fee and commission income was up 7% from the previous quarter.

Net fee and commission income per business area

								Chg local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Personal Banking	184	178	176	189	181	3%	2%	4%	2%
Commercial & Business Banking	118	99	102	94	102	19%	16%	20%	16%
Wholesale Banking	159	145	163	162	161	10%	-1%	9%	0%
Wealth Management	422	383	378	338	384	10%	10%	9%	9%
Group Corporate Centre	-5	-3	-2	-4	-6	n.m	n.m	n.m	n.m
Other and eliminations	-11	-7	-13	-7	-1	n.m	n.m	n.m	n.m
Total Group	**867**	**795**	**804**	**772**	**821**	**9%**	**6%**	**9%**	**6%**

Net fee and commission income per category

								Chg local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Savings and investments, net	547	498	489	455	485	10%	13%	10%	13%
Payments and cards, net	138	129	130	127	137	6%	1%	7%	1%
Lending-related, net	172	169	175	177	182	2%	-5%	2%	-5%
Other commissions, net	10	-1	10	13	17				
Total Group	**867**	**795**	**804**	**772**	**821**	**9%**	**6%**	**9%**	**6%**

Assets under Management (AuM), volumes and net inflow

EURbn	Q416	Net inflow Q416	Q316	Q216	Q116	Q415
Nordic Retail funds	59.2	0.9	56.6	54.1	53.2	54.5
Private Banking	100.2	0.4	97.6	93.2	92.2	93.6
Institutional sales	91.7	-1.5	92.6	84.6	78.0	73.7
Life & Pensions	71.6	0	70.6	68.3	67.5	66.4
Total	**322.7**	**-0.2**	**317.4**	**300.2**	**290.9**	**288.2**

Net result from items at fair value

The net result from items at fair value increased 4% from the previous quarter to EUR 498m (up 18% from same quarter in 2015). Fair value adjustment had a positive impact of EUR 127m due to higher interest rates and positive spread development (up from 11m in Q3)

Capital Markets income for customers in Wholesale Banking, Personal Banking, Commercial and Business Banking and Private Banking

Customer-driven capital markets activities generated higher income in the customer business than in the previous quarter. The net fair value result for the business units increased to EUR 196m, from EUR 186m in the previous quarter mainly due to seasonality.

Life & Pensions

The net result from items at fair value for Life & Pensions increased EUR 14m from the previous quarter to EUR 67m.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, increased to EUR 183m compared to EUR 147m in the previous quarter. Q4 was positively affected by an effect of fair value adjustment of EUR 121m, due to higher interest rates and positive spread development. In Q3, this impact was positive in the amount of EUR 19m.

Group Functions and Other and eliminations

The net fair value result in Group Corporate Centre decreased to EUR 30m from the extraordinary level of EUR 130m in the third quarter. The positive result in Q3 was mainly due to a revaluation of holding in private equity fund as well as the revaluation of Danmarks Skibskredit.

Net result from items at fair value per area

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4
Personal Banking	22	27	33	22	25	-19%	-12%
Commercial & Business Banking	66	67	75	70	61	-1%	8%
Wholesale Banking excl. Other	111	79	90	77	82	41%	35%
Wealth Mgmt excl. Life	23	17	24	22	27	35%	-15%
Wholesale Banking Other	183	147	80	36	108	24%	69%
Life & Pensions	67	53	60	86	65	26%	3%
Group Corporate Centre	29	129	46	25	31	-78%	-7%
Other and eliminations	-3	-39	-3	-6	22	n.m	n.m
Total Group	**498**	**480**	**405**	**332**	**421**	**4%**	**18%**

Equity method

Income from companies accounted for under the equity method was positive EUR 4m, compared to EUR -2m in the previous quarter. An additional gain related to Visa Inc.'s acquisition of Visa Europe of EUR 4m was recognised in Q4 2016.

Other operating income

Other operating income was EUR 32m compared to EUR 15m in the previous quarter. An additional gain related to Visa Inc.'s acquisition of Visa Europe of EUR 18m was recognised in Q4 2016.

Total operating income

Total income increased by 5% in local currencies from the previous quarter to EUR 2,588m, excluding the EUR 22m capital gain related to Visa Inc.'s acquisition of Visa Europe.

Total operating income per business area

								Chg local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Personal Banking	754	743	731	722	726	1%	4%	2%	5%
Commercial & Business Banking	469	445	465	454	469	5%	0%	6%	0%
Wholesale Banking	655	576	542	489	602	14%	9%	13%	9%
Wealth Management	538	488	498	480	523	10%	3%	10%	2%
Group Corporate Centre	154	234	171	153	129	-34%	19%	n.m	n.m
Other and eliminations	40	-20	149	-3	196	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**2,610**	**2,466**	**2,556**	**2,295**	**2,645**	**6%**	**-1%**	**6%**	**-1%**
Total excl. non-recurring items[1]	**2,588**	**2,466**	**2,405**	**2,295**	**2,469**	**5%**	**5%**	**5%**	**5%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax. Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m).

Total expenses

Total expenses in the fourth quarter amounted to EUR 1,319m excluding non-recurring items, up 11% from the previous quarter and up 10% from the fourth quarter of 2015 in local currencies.

Staff costs were down 7% in local currencies from the previous quarter but up 4% excluding changes in the pension agreement in Norway.

Other expenses were up 23% in local currencies from the previous quarter, mainly related to Group projects and activities related to regulatory requirements.

We expect a cost increase of approx. 2-3% in local currencies in 2017 compared to reported cost in 2016 and flat costs in 2018 compared to 2016.

The number of employees (FTEs) at the end of the fourth quarter was 31,596 an increase of 1% compared to the previous quarter and 6% from the same quarter in 2015. The increase from the fourth quarter of 2015 is mainly related to compliance and IT projects.

Expenses related to Group projects that affected the P&L were EUR 61m, compared to EUR 29m in the previous quarter. In addition, EUR 109m was capitalised compared to EUR 91m in the previous quarter.

The cost/income ratio was 51% in the fourth quarter, up from 49 % in the fourth quarter 2015.

Depreciation was up 29% from the previous quarter and 7% from same quarter of 2015.

Total operating expenses

								Chg. local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Staff cost	-687	-743	-756	-740	-956	-8%	-28%	-7%	-28%
Other expenses	-475	-389	-396	-386	-455	22%	4%	23%	6%
Depreciations	-71	-51	-54	-52	-65	39%	9%	29%	7%
Restructuring charge	0	0	0	0	-263	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**-1,233**	**-1,183**	**-1,206**	**-1,178**	**-1,476**	**4%**	**-16%**	**4%**	**-16%**
Total, excl. non-recurring items[1]	**-1,319**	**-1,183**	**-1,206**	**-1,178**	**-1,213**	**11%**	**9%**	**11%**	**10%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m. Q4 2015: restructuring charge of EUR 263m).

Total operating expenses per business area

								Chg. local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Personal Banking	-446	-447	-425	-467	-453	0%	-2%	0%	-1%
Commercial & Business Banking	-242	-232	-256	-211	-225	4%	8%	5%	9%
Wholesale Banking	-254	-221	-229	-211	-250	15%	2%	15%	2%
Wealth Management	-207	-200	-201	-196	-203	4%	2%	2%	2%
Group Corporate Centre	-100	-59	-75	-57	-45	70%	123%	n.m	n.m
Other and eliminations	16	-24	-20	-36	-300	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**-1,233**	**-1,183**	**-1,206**	**-1,178**	**-1,476**	**4%**	**-16%**	**4%**	**-16%**
Total, excl. non-recurring items[1]	**-1,319**	**-1,183**	**-1,206**	**-1,178**	**-1,213**	**11%**	**9%**	**11%**	**10%**

[1] Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m. Q4 2015: restructuring charge of EUR 263m).

Currency fluctuation effects

%-points	Q4/Q3	Q4/Q4	Jan-Dec 16/15
Income	0	0	-1
Expenses	0	-1	-1
Operating profit	0	1	-1
Loan and deposit volumes	0	0	0

Net loan losses

Credit quality remained solid, with stable net rating migration in Q4, both in the retail and corporate portfolio. Net loan loss provisions decreased to EUR 129m and the loan loss ratio was stable at 16 basis points (EUR 135m and 16 bps in the previous quarter) driven by lower collective provision.

In general, there were increased individual provisions in Corporate and Institutional Banking in Norway and Shipping, Oil and Offshore compared to Q3, related to oil services and offshore. 91% of the net loan losses in Q4 were individual losses and 9% were collective provisions (in Q3, 53% of total net loan losses were related to collective provisions).

The risk level has remained elevated in oil and offshore-related credit portfolios and is not expected to improve in the coming quarters.

The full-year loan loss ratio is 15 bps and we expect a largely unchanged credit quality in the coming quarters.

Loan loss ratios and impaired loans

Basis points of loans	Q416	Q316	Q216	Q116	Q415
Loan loss ratios annualised, Group	16	16	15	13	17
of which individual	15	7	13	14	16
of which collective	1	9	2	-1	1
Personal Banking total[1]	-1	4	9	4	21
Banking Denmark[1]	-10	6	10	-6	21
Banking Finland[1]	3	3	6	5	12
Banking Norway[1]	0	1	3	2	2
Banking Sweden[1]	3	0	3	3	4
Banking Baltic countries[1]	10	5	54	35	54
Commercial & Business Banking	17	24	18	20	3
Commercial Banking	19	22	6	15	-28
Business Banking	15	26	29	24	40
Corporate & Institutional Banking (CIB)[1]	40	9	17	37	55
Shipping, Offshore & Oil Services[1]	163	200	80	50	26
Banking Russia[1]	90	30	120	29	13
Impaired loans ratio gross, Group (bps)[3]	163	163	172	165	162
- performing	58%	61%	60%	58%	62%
- non-performing	42%	39%	40%	42%	38%
Total allowance ratio, Group (bps)	71	71	73	72	72
Provisioning ratio, Group[2]	44%	44%	42%	43%	45%

[1] Negative amount are net reversals.
[2] Total allowances in relation to gross impaired loans.
[3] In Q4 and Q3 2016 170bps, including Baltics operations reported as assets held for sale. The transaction is expected to close around Q2 2017.

Credit portfolio

Total lending to the public, excluding reversed repurchase agreements, amounted to EUR 299bn when excluding the operations in the Baltics. This is unchanged from previous quarter in local currencies.

The impaired loans ratio was unchanged at 163 bps of total loans (163 bps in previous quarter). Total impaired loans gross decreased 3% compared to the previous quarter to EUR 5 550m, mainly due to write-offs. The provisioning ratio is unchanged from the previous quarter at 44%.

Profit

Operating profit
Operating profit excluding non-recurring items decreased to EUR 1,140m, 1% down in local currencies compared to the previous quarter, but up 2% compared to same quarter in 2015.

Taxes
Income tax expense was EUR 148m. The effective tax rate was 11.9%, compared to 22.6% in the previous quarter. The decline was mainly due to reversals of previously booked deferred taxes in Life Norway related to the reorganisation of the property portfolio.

Net profit
Net profit from the continuing operations increased 24% in local currencies from the previous quarter to EUR 1,100m. Return on equity was 12.9%, up from 11.6% in the previous quarter.

Diluted earnings per share were EUR 0.27 for the total operations (EUR 0.22 in the previous quarter).

Operating profit per business area

								Chg local curr.	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Personal Banking	310	281	271	241	193	10%	61%	11%	61%
Commercial & Business Banking	193	164	173	202	238	18%	-19%	17%	-19%
Wholesale Banking	305	284	257	222	296	7%	3%	7%	2%
Wealth Management	331	288	297	284	320	15%	3%	15%	1%
Group Corporate Centre	51	175	97	95	80	-71%	-36%	n.m	n.m
Other and eliminations	58	-44	128	-38	-100	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	**1,248**	**1,148**	**1,223**	**1,006**	**1,027**	**9%**	**22%**	**9%**	**21%**
Total, excl. non-recurring items[1]	**1,140**	**1,148**	**1,072**	**1,006**	**1,114**	**-1%**	**2%**	**-1%**	**2%**

[1] Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax and gain in staff costs related to change in pension agreement in Norway of EUR 86m . Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax. Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m).

Full year 2016 compared to full year 2015

Total income was down 1% in local currencies (down 2% in EUR) from the prior year and operating profit was down 8% in local currencies (down 9% in EUR) from the prior year excluding non-recurring items.

Income
Net interest income was down 3% in local currencies (down 5% in EUR) from 2015. Average lending and deposit volumes in business areas in local currencies were unchanged from FY 2015.

Lending margins were up 2bps and deposit margins were up 6bps compared to FY 2015.

Net fee and commission income increased 1% in local currencies (unchanged in EUR) from the previous year.

Net result from items at fair value increased 4% in local currencies (4% in EUR) from 2015.

Expenses
Total expenses were up 5% in local currencies (4% in EUR) from the previous year excluding non-recurring items and amounted to EUR 4,886m. Staff costs were down 1% in local currencies excluding non-recurring items.

Net loan losses
Net loan loss provisions increased to EUR 502m, corresponding to a loan loss ratio of15 bps (14 bps for full year 2015).

Net profit
Net profit increased 4% in local currencies (3% in EUR) to EUR 3,766m.

Currency fluctuation impact
Currency fluctuations had a reducing effect of 1% on income and expenses and a reducing effect 1% on loan and deposit volumes compared to a year ago.

Other information

Capital position and risk exposure amount, REA

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 18.4% at the end of the fourth quarter 2016 compared to 17.9% at the end of the third quarter 2016. REA decreased EUR 3.0bn, mainly driven by reduced average risk weight in the corporate portfolio and reduced exposures in the CCR portfolio, while CET1 capital increased EUR 0.1bn driven by continued strong profit generation net dividend and increase in intangible assets.

The tier 1 capital ratio increased to 20.7% compared to 20.1% in the previous quarter and the total capital ratio increased from 24.1% to 24.7%.

REA was EUR 133.2bn, a decrease of EUR 3.0bn compared to the previous quarter. The decrease is mainly driven by lower average risk weight in the corporate portfolio as well as and lower exposures in the CCR portfolio as a result of market movements. This was somewhat countered by the increase of the article 3 buffer.

The CET1 capital was EUR 24.5bn, the Tier 1 capital was EUR 27.6bn and the Own Funds were EUR 32.9bn. CET1 Capital increased EUR 0.1bn mainly driven by continued strong profit generation. The capital requirement based on the Basel 1 transitional rules was EUR 17.3bn and the adjusted Own Funds were EUR 33.0bn.

The CRR leverage ratio increased to 5.0% including profit, an increase from 4.6% compared to third quarter. The leverage ratio is calculated in accordance with the delegated regulation 2015\62.

Capital ratios

%	Q416	Q316	Q216	Q116	Q415
CRR/CRDIV					
CET 1 cap. ratio	18.4	17.9	16.8	16.7	16.5
Tier 1 capital ratio	20.7	20.1	18.9	18.7	18.5
Total capital ratio	24.7	24.1	22.1	21.8	21.6

Economic Capital (EC) was at the end of the fourth quarter EUR 26.3bn, which is a decrease by EUR 0.1bn compared to third quarter. The main driver of the decrease was reduced Credit Risk by EUR -0.3bn, offset by increased intangible assets and NLP equity. The Credit Risk decrease mainly stems from improved average risk weight in the corporate portfolio in the Commercial & Business Banking and Wholesale Banking business areas.

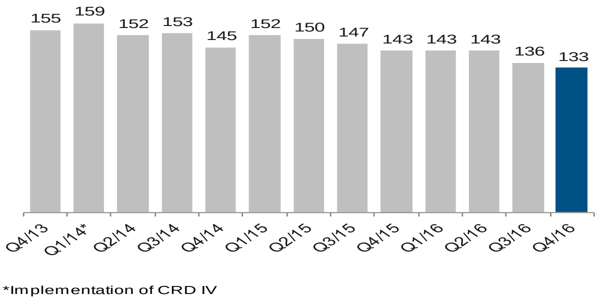
The Group´s Internal Capital Requirement (ICR) was at the end of the fourth quarter EUR 14.6bn, a decrease of EUR 0.2bn compared to the previous quarter. The ICR should be compared to the own funds, which was EUR 32.9m at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Regulatory developments

On 3 October Finansinspektionen published a press release stating that the authority made an assessment that Nordea's PD (probability of default) estimates needs to be raised, due to identified deficiencies in the internal models, to an extent that corresponds to an additional own funds requirement of EUR 1.47bn. Until Nordea rectifies the identified deficiencies in its internal models, the additional capital requirement will be part of the Pillar 2 requirement.

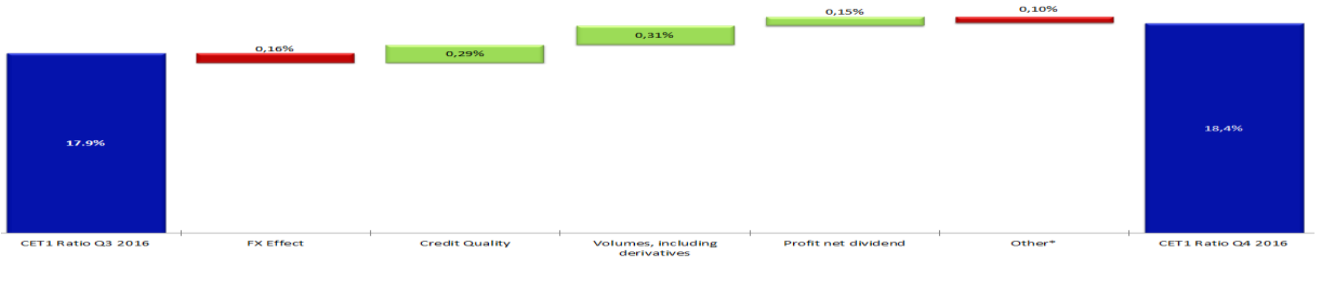
On 18 December Finansinspektionen stated that the authority have reached an agreement with the Nordic supervisory authorities and European Central Bank on how to supervise significant branches in Denmark, Finland, Norway and Sweden.

Risk exposure amount, REA (EURbn), quarterly development



*Implementation of CRD IV

Common equity tier 1 (CET1) capital ratio, changes in the quarter



Balance sheet

Total assets in the balance sheet decreased EUR 41bn in the quarter and the asset values of derivatives were EUR 11bn lower than in the previous period driven by interest rate and foreign exchange swaps.

Loans to the public decreased by EUR 8bn in the quarter to EUR 318bn driven by repo lending.

Other assets decreased by EUR 23bn in the quarter.

Balance sheet data

EURbn	Q416	Q316	Q216	Q116	Q415
Loans to credit institutions	9	13	10	12	11
Loans to the public	318	326	345	343	341
Derivatives	70	81	87	87	81
Interest-bearing securities	88	83	85	87	87
Other assets	131	154	144	147	128
Total assets	**616**	**657**	**671**	**676**	**647**
Deposits from credit inst.	38	58	64	59	44
Deposits from the public	174	187	196	203	189
Debt securities in issue	192	191	188	193	202
Derivatives	69	77	83	87	80
Other liabilities	111	113	110	105	101
Total equity	32	31	30	29	31
Total liabilities and equity	**616**	**657**	**671**	**676**	**647**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 2.3bn in long-term funding in the fourth quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 1.5bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. A EUR 1bn 7-year covered bond was issued from the newly created Finnish mortgage company Nordea Mortgage Bank.

Nordea's long-term funding portion of total funding was, at the end of the fourth quarter, approx. 82%.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. LCR for the Nordea Group was, according to the Swedish FSA's LCR definition, 159% at the end of the fourth quarter. The LCR in EUR was 334% and in USD 221% at the end of the fourth quarter. LCR for the Nordea Group according to CRR LCR definitions was 165% at the end of the fourth quarter. The liquidity buffer is composed of highly liquid central bank eligible securities with characteristics similar to Basel III/CRD IV liquid assets and amounted to EUR 69bn at the end of the fourth quarter (EUR 65bn at the end of the third quarter).

Funding and liquidity data

	Q416	Q316	Q216	Q116	Q415
Long-term funding portion	82%	82%	82%	83%	77%
LCR total	159%	148%	155%	155%	161%
LCR EUR	334%	257%	270%	174%	303%
LCR USD	221%	253%	189%	230%	188%

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 16m largely unchanged from the previous quarter.

Total market risk, measured as Value at Risk, in the banking book was EUR 59m marginally higher compared to the previous quarter (EUR 54). The increase is primarily driven by an increase in interest rate risk due to an increased holding of Danish mortgage bonds in the liquidity portfolio.

Trading book

EURm	Q416	Q316	Q216	Q116	Q415
Total risk, VaR	16	16	32	36	33
Interest rate risk, VaR	12	15	29	34	32
Equity risk, VaR	5	4	4	2	7
Foreign exchange risk, VaR	4	4	6	10	4
Credit spread risk, VaR	6	7	10	3	6
Diversification effect	42%	46%	36%	28%	32%

Banking book

EURm	Q416	Q316	Q216	Q116	Q415
Total risk, VaR	59	54	80	90	77
Interest rate risk, VaR	58	53	75	90	76
Equity risk, VaR	1	2	6	7	3
Foreign exchange risk, VaR	5	4	20	3	3
Credit spread risk, VaR	2	2	4	6	3
Diversification effect	10%	12%	25%	15%	10%

Nordea share

In the fourth quarter, Nordea's share price on the Nasdaq Stockholm Exchange appreciated from SEK 85 to SEK 101.30.

Legal Structure Programme update
In February 2016, the Board of Directors of Nordea Bank AB (publ) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, respectively signed merger plans with the purpose of converting the Norwegian, Danish and Finnish subsidiary banks into branches of the Swedish parent company, Nordea Bank AB (publ), by means of cross-border mergers.

The annual general meeting of Nordea Bank AB (publ) resolved to approve the merger plans on 17 March 2016. The remaining approvals needed in order to execute the mergers between Nordea Bank AB (publ) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, respectively, were obtained in 2016. As part of the merger process a new Mortgage Credit Institution (Nordea Mortgage Bank Plc) was established in Finland on 1 October 2016 in order to continue the covered bonds operations conducted by Nordea Bank Finland Plc. The cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed on 2 January 2017. Consequently, all assets and liabilities of the subsidiary banks were transferred to Nordea Bank AB (publ) and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA were dissolved. The banking business in Denmark, Finland and Norway is now conducted in branches of Nordea Bank AB (publ).
The new simplified legal structure supports the effort to increase agility, efficiency and economies of scale, and it also strengthens governance.

Customer co-ownership of Nordea Liv & Pension in Denmark
Foreningen NLP representing the customers of Nordea Liv & Pension has purchased 25% of the holding in Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark from Nordea Life Holding AB. The transaction was approved by the Danish FSA and closed on 10 January 2017. The purchase price was EUR 291m and the tax exempt gain was approx. EUR 120m. The gain is accounted for directly in equity at closing, i.e. in January 2017. In addition, Foreningen NLP has invested EUR 125m in Tier 1 subordinated debt issued by Nordea Liv & Pension.

Changes to pension agreement in Norway
Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. The pension rights earned under the defined benefit plan have been placed in paid-up policies and continue to be presented as defined benefit obligations, as they remain on Nordea's balance sheet, but the obligations have decreased as the assumption about future salary increases has been removed. This led to an upfront gain (reduction in "Staff cost") of EUR 86m including social charges in the fourth quarter of 2016.

Visa Inc.'s proposed acquisition of Visa Europe Ltd.
In the second quarter 2016 Nordea recognised a total gain of EUR 151m net of tax following Visa Inc.'s acquisition of Visa Europe. In the fourth quarter 2016 the uncertainty covering allocations between countries where Nordea operates were settled and Nordea have following this clarification recognised an additional gain of EUR 22m before tax. The total gain is split on "Profit from companies accounted for under the equity method" (EUR 97m of which EUR 93m net of tax) and "Other operating income" (EUR 76m of which EUR 58m net of tax).

Dividend
The Board of Directors proposes to the AGM a dividend of EUR 0.65 per share (EUR 0.64) and further, that the record date for dividend should be 20 March 2017. The dividend corresponds to a payout ratio of 70 percent of net profit. Total proposed dividend amounts to EUR 2,625m.

The ex-dividend date for the Nordea share is 17 March 2017. The dividend payments are scheduled to be made on 27 March 2017.

Mandate to issue convertible instruments
The Board of Directors proposes that the AGM 2017 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

An issue of convertible instruments should be done on market conditions. The purpose of the authorisation is to facilitate a flexible and efficient adjustment of the Company's capital structure to the capital requirements.

The AGM 2016 decided on a corresponding authorisation to decide to issue convertible instruments.

Profit sharing and Long-term incentives
The three decided criteria for the outcome of the profit share programme 2016 are – Return on Capital at Risk (ROCAR), Development of Return on Equity (ROE) against competitors and Customer Satisfaction Index (CSI). If performance criteria are fully met, the cost will amount to approx. EUR 98m.

The provision for Nordea's profit-sharing scheme and the LTIPs was EUR 35m compared to EUR 86m in 2015.

Performance-related salaries
Performance-related salaries at Nordea include bonuses, variable salary parts and the executive incentive programme. In order to attract and retain expertise in areas directly exposed to international competition - Capital Markets, Investment Banking, Asset Management,

International Private Banking, Treasury and ALM - Nordea offers performance-related salaries in the form of bonus schemes to a select group of employees in these areas.

Nordea's ambition is to have competitive, but not market-leading, remuneration schemes.

The provisions for bonus in 2016 increased to EUR 192m from EUR 182m in 2015, of which approx. EUR 51m refers to Sweden (EUR 58m in 2015). The payout ratio – total staff costs including fixed salaries and bonuses in relation to total income – for the areas with bonus schemes was 15.6% in 2016 compared to 16.7% in 2015. Nordea thus continues to have payout ratios at significantly lower levels than most international peers. The bonus in relation to total income was unchanged to 4.9% in 2016 compared to 4.9% in 2015.

Variable salary parts in other areas or units increased to EUR 92m in 2016 from EUR 89m in 2015. Nordea variable salary parts are capped – normally to 3 months' fixed salary.

The executive incentive programme replaces from 2013 the variable salary part and Long-Term Incentive Programme (LTIP) for up to 400 managers. Provisions in 2016 amounted to EUR 38m (EUR 55m).

The provisions for performance-related salaries in the fourth quarter amounted to EUR 95m, up from EUR 84m in the third quarter.

Baltics

On 25 August 2016, Nordea and DNB announced an agreement to combine their operations in Estonia, Latvia and Lithuania to create a leading main bank in the Baltics with strong Nordic roots. The new bank will benefit from larger scale and the complementary nature of Nordea's and DNB's Baltic operations in terms of business lines and geographical footprint. Nordea's and DNB's Baltic operations have, respectively 1,300 and 1,800 employees and EUR 8bn and 5bn in assets[1]. Key objectives will be: to establish the bank as a leading customer-centric, main Baltic bank with Nordic roots; develop operational and funding independence; and to increase profitability and ROE over time.

Nordea and DNB are strongly committed to supporting the creation of the new bank. The parties will have equal voting rights in the combined bank and equal representation on the Board. The majority of board members, including the chairman, will be independent. The financial ownership will reflect the relative equity value of contributions to the combined bank at the time of closing.

As of announcement, Nordea classified the assets and liabilities of its Baltic operations as held for sale at book value. At closing, Nordea's investment in the new bank will be treated as an associate for accounting purposes and the equity method will be applied in the consolidated accounts.

The transaction is conditional on regulatory approvals and is expected to close in the second quarter of 2017. The banks will remain competitors and operate independently until all requisite approvals have been obtained and the transaction has closed.

[1] Based on loans and receivables to the public

Defined benefit pension plans

The discount rate used when discounting future pension payments is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. The discount rates used at the end of the fourth quarter were 2.67% for Sweden, 2.75% for Norway, 1.50% for Finland and 1.92% for Denmark. The total re-measurement gain on other comprehensive income amounted to EUR 256m before income tax in the fourth quarter.

Annual General Meeting

The AGM will be held on Thursday 16 March at Stockholm City Conference Center, Folkets Hus, Stockholm at 13.00 CET.

Events after the balance sheet date

Sale of retail lending portfolio in Russia

Due to the challenging geopolitical and economic environment we maintained our strategy to reduce our risks and exposure in Russia and focus on corporate banking services only. Following our earlier communicated strategy, it was decided to sell the existing portfolio of mortgage and consumer loans. New lending for these segments was discontinued already in 2014. The carrying amount of the portfolio, classified as "Assets held for sale" on the balance sheet at 31 December 2016, was EUR 228m and the sales loss to be recognised on "Net result from items at fair value" in the first quarter 2017 was EUR 14m. The buyer was SovCombank.

Quarterly development, Group

EURm	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Jan-Dec 2016	Jan-Dec 2015
Net interest income	1,209	1,178	1,172	1,168	1,203	4,727	4,963
Net fee and commission income	867	795	804	772	821	3,238	3,230
Net result from items at fair value	498	480	405	332	421	1,715	1,645
Equity method	4	-2	101	9	3	112	39
Other operating income	32	15	74	14	197	135	263
Total operating income	**2,610**	**2,466**	**2,556**	**2,295**	**2,645**	**9,927**	**10,140**
General administrative expenses:							
Staff costs	-687	-743	-756	-740	-956	-2,926	-3,263
Other expenses	-475	-389	-396	-386	-455	-1,646	-1,485
Depreciation of tangible and intangible assets	-71	-51	-54	-52	-65	-228	-209
Total operating expenses	**-1,233**	**-1,183**	**-1,206**	**-1,178**	**-1,476**	**-4,800**	**-4,957**
Profit before loan losses	**1,377**	**1,283**	**1,350**	**1,117**	**1,169**	**5,127**	**5,183**
Net loan losses	-129	-135	-127	-111	-142	-502	-479
Operating profit	**1,248**	**1,148**	**1,223**	**1,006**	**1,027**	**4,625**	**4,704**
Income tax expense	-148	-260	-227	-224	-179	-859	-1,042
Net profit for the period	**1,100**	**888**	**996**	**782**	**848**	**3,766**	**3,662**
Diluted earnings per share (DEPS), EUR	0.27	0.22	0.25	0.19	0.21	0.93	0.91
DEPS, rolling 12 months up to period end, EUR	0.93	0.87	0.84	0.83	0.91	0.93	0.91

Business areas

	Nordea Group														
	Personal Banking		Commercial & Business Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group		
	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	
EURm	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	*Chg*
Net interest income	544	536	276	273	203	204	30	28	132	108	24	29	1,209	1,178	*3%*
Net fee and commission income	184	178	118	99	159	145	422	383	-5	-3	-11	-7	867	795	*9%*
Net result from items at fair value	22	27	66	67	294	226	90	70	29	129	-3	-39	498	480	*4%*
Equity method & other income	4	2	9	6	-1	1	-4	7	-2	0	30	-3	36	13	*177%*
Total operating income	**754**	**743**	**469**	**445**	**655**	**576**	**538**	**488**	**154**	**234**	**40**	**-20**	**2,610**	**2,466**	***6%***
Staff costs	-207	-210	-116	-122	-172	-155	-128	-125	-72	-69	8	-62	-687	-743	*-8%*
Other expenses	-227	-225	-117	-102	-76	-62	-77	-73	-10	27	32	46	-475	-389	*22%*
Depreciations	-12	-12	-9	-8	-6	-4	-2	-2	-18	-17	-24	-8	-71	-51	*39%*
Total operating expenses	**-446**	**-447**	**-242**	**-232**	**-254**	**-221**	**-207**	**-200**	**-100**	**-59**	**16**	**-24**	**-1,233**	**-1,183**	***4%***
Net loan losses	2	-15	-34	-49	-96	-71	0	0	0	0	-1	0	-129	-135	*-4%*
Operating profit	**310**	**281**	**193**	**164**	**305**	**284**	**331**	**288**	**51**	**175**	**58**	**-44**	**1,248**	**1,148**	***9%***
Cost/income ratio, %	59	60	52	52	39	38	38	41	65	252	-	-	47	48	
ROCAR, %	13	12	10	8	11	10	38	35	-	-	-	-	15	13	
Economic capital (EC)	7,197	7,073	5,966	6,256	8,365	8,607	2,809	2,593	744	658	1,266	1,173	26,347	26,360	*0%*
Risk exposure amount (REA)	31,495	31,671	33,041	35,186	48,564	50,491	5,977	5,730	5,676	5,276	8,404	7,837	133,157	136,191	*-2%*
Number of employees (FTEs)	12,248	12,128	6,082	6,152	4,059	4,089	3,640	3,692	3,423	3,154	2,144	2,092	31,596	31,307	*1%*
Volumes, EURbn:															
Lending to corporates[1]	6.5	6.4	70.6	71.2	80.3	88.3	-	-	-	-	-0.7	-0.4	156.7	165.5	*-5%*
Household mortgage lending[2]	127.7	126.8	6.9	7.0	0.2	0.2	7.2	7.1	-	-	-	-	142.0	141.1	*1%*
Consumer lending[2]	20.7	20.9	2.3	2.4	-	-	4.3	3.9	-	-	-	-	27.3	27.2	*0%*
Total lending	**154.9**	**154.1**	**79.8**	**80.6**	**80.5**	**88.5**	**11.5**	**11.0**	**-**	**-**	**-0.7**	**-0.4**	**326.0**	**333.8**	***-2%***
Corporate deposits[3]	6.9	6.2	36.0	34.6	47.1	58.1	-	-	-	-	-1.7	2.3	88.3	101.2	*-13%*
Household deposits[2]	73.6	73.8	3.3	3.3	0.1	0.1	13.5	13.3	-	-	0	0	90.5	90.5	*0%*
Total deposits	**80.5**	**80.0**	**39.3**	**37.9**	**47.2**	**58.2**	**13.5**	**13.3**	**-**	**-**	**-1.7**	**2.3**	**178.8**	**191.7**	***-7%***

[1] For PeB: EUR 5.4bn related to corporate customers in the Baltics in Q416 (Q316: EUR 5.4bn). The rest from customers in PeB which has both household and corporate business.

[2] For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

[3] For PeB EUR 3.4bn related to corporate customers in the Baltics in Q416 (Q316: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

	Nordea Group														
	Personal Banking		Commercial & Business Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group		
	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		
EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	*Chg*
Net interest income	2,112	2,162	1,110	1,215	830	1,018	112	121	496	385	67	62	4,727	4,963	*-5%*
Net fee and commission income	727	791	413	432	629	600	1,521	1,437	-14	-14	-38	-16	3,238	3,230	*0%*
Net result from items at fair value	104	106	278	285	803	832	352	341	229	93	-51	-12	1,715	1,645	*4%*
Equity method & other income	7	1	32	37	0	2	19	30	0	18	188	214	247	302	*-18%*
Total operating income	**2,950**	**3,060**	**1,833**	**1,969**	**2,262**	**2,452**	**2,004**	**1,929**	**711**	**481**	**166**	**249**	**9,927**	**10,140**	***-2%***
Staff costs	-854	-899	-486	-521	-625	-649	-500	-501	-286	-237	-175	-456	-2,926	-3,263	*-10%*
Other expenses	-881	-846	-424	-391	-270	-285	-295	-295	57	140	167	192	-1,646	-1,485	*11%*
Depreciations	-50	-54	-31	-24	-20	-19	-9	-5	-62	-45	-56	-62	-228	-209	*9%*
Total operating expenses	**-1,785**	**-1,799**	**-941**	**-936**	**-915**	**-953**	**-804**	**-801**	**-291**	**-142**	**-64**	**-326**	**-4,800**	**-4,957**	***-3%***
Net loan losses	-62	-145	-160	-171	-279	-158	0	-1	0	0	-1	-4	-502	-479	*5%*
Operating profit	**1,103**	**1,116**	**732**	**862**	**1,068**	**1,341**	**1,200**	**1,127**	**418**	**335**	**104**	**-77**	**4,625**	**4,704**	***-2%***
Cost/income ratio, %	61	59	51	48	40	39	40	42	41	29	-	-	48	49	
ROCAR, %	12	12	9	13	10	13	36	37	-	-	-	-	13	15	
Economic capital (EC)	7,197	6,703	5,966	5,453	8,365	7,824	2,809	2,521	744	1,297	1,266	1,155	26,347	24,953	*6%*
Risk exposure amount (REA)	31,495	30,942	33,041	38,256	48,564	51,413	5,977	5,669	5,676	8,174	8,404	8,840	133,157	143,953	*-7%*
Number of employees (FTEs)	12,248	12,174	6,082	6,011	4,059	4,022	3,640	3,596	3,423	2,295	2,144	1,717	31,596	29,815	*6%*
Volumes, EURbn:															
Lending to corporates[1]	6.5	6.2	70.6	70.7	80.3	99.1	-	-	-	-	-0.7	-0.5	156.7	175.5	*-11%*
Household mortgage lending[2]	127.7	123.8	6.9	6.9	0.2	0.3	7.2	6.7	-	-	-	-	142.0	137.7	*3%*
Consumer lending[2]	20.7	21.4	2.3	2.4	-	-	4.3	3.8	-	-	-	-	27.3	27.6	*-1%*
Total lending	**154.9**	**151.4**	**79.8**	**80.0**	**80.5**	**99.4**	**11.5**	**10.6**	**-**	**-**	**-0.7**	**-0.5**	**326.0**	**340.9**	***-4%***
Corporate deposits[3]	6.9	6.1	36.0	37.4	47.1	57.3	-	-	-	-	-1.7	-1.0	88.3	99.8	*-12%*
Household deposits[2]	73.6	73.3	3.3	3.2	0.1	0.1	13.5	12.6	-	-	-	-	90.5	89.2	*1%*
Total deposits	**80.5**	**79.4**	**39.3**	**40.6**	**47.2**	**57.4**	**13.5**	**12.6**	**-**	**-**	**-1.7**	**-1.0**	**178.8**	**189.0**	***-5%***

[1] For PeB: EUR 5.4bn related to corporate customers in the Baltics in Dec 16 (Dec 15: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

[2] For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

[3] For PeB EUR 3.4bn related to corporate customers in the Baltics in Dec 16 (Dec 15: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

Personal Banking

Personal Banking serves Nordea's household customers through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets. Furthermore, IT and operations cover both the Personal Banking and Commercial & Business Banking business areas.

Personal Banking has the largest customer base in the Nordics. In Personal Banking around 12,000 people serve approx. 10 million household customers across the Nordics and Baltics.

Nordea's Baltic operations, serving both household and corporate customers, are organised as a separate entity within Personal Banking.

Business development

Digital services for Household customers continued to increase and more customers prefer to obtain advice online. In Q4 one out of six meetings was held online, and the total number of online meetings increased 26% compared to Q4 2015.

The need for online meetings is also met through our e-branches, where we now have 305 advisors - an increase of 200 since year-end. E-branches increase availability by offering customers access to a team of advisors. This concept has been well-received by our customers and is now being extended to our physical branch network.

Q4 was the quarter in which Nordea successfully joined the Mobile Pay solution in Norway and Denmark, providing a user friendly transaction solution for our customers.

The Nordea Codes app has reached almost half a million users in Finland. The app replaces the paper codes used to login and confirm transactions in Netbank and Mobile Bank, and was awarded the title of Best Mobile Service 2016 in Finland in December.

Result

Total income increased 2% in local currencies from the third quarter driven by both net interest income, and fee and commissions.

Expenses were stable from the previous quarter, and down 1% in local currencies compared to the same period last year as the continued focus on efficiency and branch network transformation more than mitigated inflation and investment to digital solutions and compliance.

The income and cost development combined resulted in a 3 point improvement in cost/income ratio compared to Q4 2015, from 62% to 59%.

Margin increases in all countries in Q4 resulted in an increase in net interest income of 2% in local currencies from the previous quarter.

Lending volumes continued up from Q3. Deposit volumes improved from the previous quarter and ended at a high level.

Net fee and commission income increased from the previous quarter, supported by higher activity in all countries.

Economic capital (EC) increased and Risk exposure amount (REA) decreased from the previous quarter. ROCAR ended at 13%, 1 point higher than the previous quarter.

Loan losses were slightly positive in Q4 due to reversals from previous quarters, especially in Denmark, and thereby contributed to the 10% growth in operating profit compared to Q3.

Personal Banking Denmark

Total income was up 4% from the previous quarter as a result of increasing net interest income and increasing fee and commission income.

Refinancing activities were high in Q4, which has led to increasing lending commission income. The very low interest rate level is driving customer appetite for transferring funds from deposit to investments products, which is reflected in the increased savings commission income.

Total costs are down 3% from the previous quarter. The positive development in the real estate market supports a reduced need for loan loss provisions.

Customer demand for online services increased and more than 100,000 customers chose to be served by the increasing number e-branches.

Personal Banking Finland

After a strong third quarter, total income decreased in the fourth quarter, driven by one-offs both in net interest income and net fee and commission income.

Lending and deposits volumes increased slightly in the fourth quarter, the development has been steady during the year. Margins improved in the fourth quarter.

Markets income returned to the same level as in Q1 after two stronger quarters.

Cost development was stable despite continued investments in Remote and Premium branches.

Loan losses remained at low level.

Personal Banking Norway
Total income was down 4% in local currency from the previous quarter, mainly driven by reduced net interest income and a large one-off item in other income in the previous quarter. A highlight was 11% growth in savings commission income.

Average lending volumes were unchanged, while lending margins were down on increased funding expenses.

Average deposit volumes were down 1% in local currency on seasonal effects with unchanged deposit margins.

26% of all customer meetings held in the quarter were remote meetings – an all-time high.

Developments in expenses were according to the cost plan and loan losses were close to zero, indicating a low risk in the lending portfolio.

Personal Banking Sweden
In local currency business volumes increased from the previous quarter, due to an increase in both lending and deposit volumes.

There was a stable increase in net interest income in local currencies and strong growth in non-interest income compared to the previous quarter.

High activity in the savings business is the main driver behind the 13% growth in non-interest income.

Costs were essentially stable.

The build-up of online units is progressing as planned.

Banking Baltics
Total income was 7% higher than the same quarter of the previous year; but was slightly down compared to the high level in the third quarter.

Net commission income increased by 19% driven by higher demand for savings products, as well as a growing number of transactions both in the household and corporate segments.

Customer interest in risk management solutions remains high and this was one of the major sources of y/y income growth.

Total deposits increased 8% compared to the previous year as a result of the continual attentiveness to home-bank relationships.

FTE and cost growth in Q4 is related to the great focus on compliance and increased regulatory demands.

Distribution agreement with Wealth Management
The result excluding distribution agreement with wealth management is according to the principle that all income, cost, and capital is allocated to the customer responsible unit. This principle aligns with the internal management reporting and with the principle applied to all other product units in the group.

Personal Banking total

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	544	536	520	512	520	1%	5%	2%	6%	2,112	2,162	-2%	-1%
Net fee and commission income	184	178	176	189	181	3%	1%	4%	2%	727	791	-8%	-8%
Net result from items at fair value	22	27	33	22	25	-19%	-13%	-19%	-13%	104	106	-2%	-1%
Equity method & other income	4	2	2	-1	0					7	1		
Total income incl. allocations	**754**	**743**	**731**	**722**	**726**	**1%**	**4%**	**2%**	**5%**	**2,950**	**3,060**	**-4%**	**-3%**
Staff costs	-207	-210	-214	-223	-225	-2%	-8%	-1%	-7%	-854	-899	-5%	-4%
Other exp. excl. depreciations	-227	-225	-199	-230	-216	1%	5%	2%	6%	-881	-846	4%	5%
Total expenses incl. allocations	**-446**	**-447**	**-425**	**-467**	**-453**	**0%**	**-1%**	**0%**	**-1%**	**-1,785**	**-1,799**	**-1%**	**0%**
Profit before loan losses	**308**	**296**	**306**	**255**	**273**	**4%**	**13%**	**4%**	**13%**	**1,165**	**1,261**	**-8%**	**-7%**
Net loan losses	2	-15	-35	-14	-80					-62	-145	-57%	-57%
Operating profit	**310**	**281**	**271**	**241**	**193**	**10%**	**61%**	**11%**	**61%**	**1,103**	**1,116**	**-1%**	**0%**
Cost/income ratio, %	59	60	58	65	62					61	59		
ROCAR, %	13	12	12	11	9					12	12		
Economic capital (EC)	7,197	7,073	7,171	6,962	6,703	2%	7%	2%	8%	7,197	6,703	7%	8%
Risk exposure amount (REA)	31,495	31,671	30,760	30,122	30,942	-1%	2%	-1%	2%	31,495	30,942	2%	2%
Number of employees (FTEs)	12,248	12,128	12,287	12,227	12,174	1%	1%	1%	1%	12,248	12,174	1%	1%
Volumes, EURbn:													
Lending to corporates[1]	6.5	6.4	6.3	6.1	6.2	1%	3%	1%	4%	6.5	6.2	3%	4%
Household mortgage lending	127.7	126.8	125.9	125.0	123.8	1%	3%	1%	3%	127.7	123.8	3%	3%
Consumer lending	20.7	20.9	21.0	21.2	21.4	-1%	-3%	-1%	-3%	20.7	21.4	-3%	-3%
Total lending	**154.9**	**154.1**	**153.2**	**152.3**	**151.4**	**0%**	**2%**	**0%**	**2%**	**154.9**	**151.4**	**2%**	**2%**
Corporate deposits[2]	6.9	6.2	6.4	6.2	6.1	11%	12%	11%	12%	6.9	6.1	12%	12%
Household deposits	73.6	73.8	74.6	72.9	73.3	0%	0%	0%	1%	73.6	73.3	0%	1%
Total deposits	**80.5**	**80.0**	**81.0**	**79.1**	**79.4**	**1%**	**1%**	**0%**	**2%**	**80.5**	**79.4**	**1%**	**2%**

Restatements due to organisational changes (New BA).

[1] Of which EUR 5.4bn related to corporate customers in the Baltics in Q416 (Q316: EUR 5.4bn and Q415: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

[2] Of which EUR 3.4bn related to corporate customers in the Baltics in Q416 (Q316: EUR 3.1bn and Q415: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

Personal Banking total excl. Distribution agreement with Wealth Management

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	544	537	520	511	519	1%	5%	2%	6%	2,112	2,162	-2%	-1%
Net fee and commission income	311	294	293	290	300	6%	4%	6%	5%	1,188	1,241	-4%	-4%
Net result from items at fair value	22	27	33	22	25	-19%	-13%	-19%	-13%	104	106	-2%	-1%
Equity method & other income	4	2	2	-1	0					7	1		
Total income incl. allocations	**881**	**860**	**848**	**822**	**844**	**2%**	**4%**	**3%**	**5%**	**3,411**	**3,510**	**-3%**	**-2%**
Staff costs	-207	-210	-214	-223	-225	-2%	-8%	-1%	-7%	-854	-899	-5%	-4%
Other exp. excl. depreciations	-255	-254	-228	-259	-246	1%	4%	1%	4%	-996	-969	3%	3%
Total expenses incl. allocations	**-474**	**-476**	**-454**	**-495**	**-484**	**0%**	**-2%**	**0%**	**-1%**	**-1,899**	**-1,923**	**-1%**	**-1%**
Profit before loan losses	**407**	**384**	**394**	**327**	**360**	**6%**	**13%**	**6%**	**14%**	**1,512**	**1,587**	**-5%**	**-4%**
Net loan losses	2	-15	-35	-14	-80					-62	-145	-57%	-57%
Operating profit	**409**	**369**	**359**	**313**	**280**	**11%**	**46%**	**11%**	**47%**	**1,450**	**1,442**	**1%**	**2%**
Cost/income ratio, %	54	55	54	60	57					56	55		
ROCAR, %	17	15	15	13	12					15	15		
Economic capital (EC)	7,663	7,541	7,636	7,424	7,132	2%	7%	2%	8%	7,663	7,132	7%	8%
Risk exposure amount (REA)	31,495	31,671	30,760	30,122	30,942	-1%	2%	-1%	2%	31,495	30,942	2%	2%
Number of employees (FTEs)	12,248	12,128	12,287	12,227	12,174	1%	1%	1%	1%	12,248	12,174	1%	1%
Volumes, EURbn:													
Lending to corporates[1]	6.5	6.4	6.3	6.1	6.2	1%	3%	1%	4%	6.5	6.2	3%	4%
Household mortgage lending	127.7	126.8	125.9	125.0	123.8	1%	3%	1%	3%	127.7	123.8	3%	3%
Consumer lending	20.7	20.9	21.0	21.2	21.4	-1%	-3%	-1%	-3%	20.7	21.4	-3%	-3%
Total lending	**154.9**	**154.1**	**153.2**	**152.3**	**151.4**	**0%**	**2%**	**0%**	**2%**	**154.9**	**151.4**	**2%**	**2%**
Corporate deposits[2]	6.9	6.2	6.4	6.2	6.1	11%	12%	11%	12%	6.9	6.1	12%	12%
Household deposits	73.6	73.8	74.6	72.9	73.3	0%	0%	0%	1%	73.6	73.3	0%	1%
Total deposits	**80.5**	**80.0**	**81.0**	**79.1**	**79.4**	**1%**	**1%**	**0%**	**2%**	**80.5**	**79.4**	**1%**	**2%**

Restatements due to organisational changes (New BA).

[1] Of which EUR 5.3bn related to corporate customers in the Baltics in Q416 (Q316: EUR 5.4bn and Q415: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

[2] Of which EUR 3.4bn related to corporate customers in the Baltics in Q416 (Q316: EUR 3.1bn and Q415: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

Personal Banking Denmark

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	156	150	148	149	146	4%	7%	603	612	-2%
Net fee and commission income	40	37	32	49	42	8%	-4%	158	205	-23%
Net result from items at fair value	3	3	2	1	1	-2%	126%	9	-1	
Equity method & other income	-1	0	-1	0	-1		27%	-2	-1	9%
Total income incl. allocations	**198**	**190**	**181**	**199**	**188**	**4%**	**5%**	**768**	**815**	**-6%**
Staff costs	-44	-43	-40	-42	-41	3%	8%	-169	-176	-4%
Other exp. excl. depreciations	-88	-92	-94	-90	-95	-5%	-7%	-364	-374	-3%
Total expenses incl. allocations	**-135**	**-138**	**-138**	**-136**	**-139**	**-3%**	**-3%**	**-547**	**-564**	**-3%**
Profit before loan losses	**63**	**52**	**43**	**63**	**49**	**22%**	**28%**	**221**	**251**	**-12%**
Net loan losses	10	-6	-10	6	-21			0	-50	-98%
Operating profit	**73**	**46**	**33**	**69**	**28**	**61%**	**159%**	**221**	**201**	**9%**
Cost/income ratio, %	68	73	76	68	74			71	69	
ROCAR, %	16	10	7	16	6			12	10	
Economic capital (EC)	1,370	1,391	1,428	1,368	1,358	-2%	1%	1,370	1,358	1%
Risk exposure amount (REA)	8,643	8,780	8,855	8,547	9,065	-2%	-5%	8,643	9,065	-5%
Number of employees (FTEs)	2,372	2,363	2,471	2,431	2,422	0%	-2%	2,372	2,422	-2%
Volumes, EURbn:										
Lending to corporates	0.3	0.4	0.4	0.3	0.3	0%	-6%	0.3	0.3	-6%
Household mortgage lending	29.5	29.5	29.5	29.4	29.4	0%	0%	29.5	29.4	0%
Consumer lending	9.6	9.8	9.9	10.0	10.2	-3%	-6%	9.6	10.2	-6%
Total lending	**39.4**	**39.7**	**39.8**	**39.7**	**39.9**	**-1%**	**-1%**	**39.4**	**39.9**	**-1%**
Corporate deposits	2.4	2.1	2.1	2.1	2.0	11%	18%	2.4	2.0	18%
Household deposits	21.8	22.1	22.4	21.7	22.0	-1%	-1%	21.8	22.0	-1%
Total deposits	**24.2**	**24.2**	**24.5**	**23.8**	**24.0**	**0%**	**1%**	**24.2**	**24.0**	**1%**

Restatements due to organisational changes (New BA).

Personal Banking Finland

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	94	96	95	96	104	-1%	-9%	381	432	-11%
Net fee and commission income	44	50	47	46	43	-13%	3%	187	196	-4%
Net result from items at fair value	6	7	8	6	7	-16%	-26%	27	28	-7%
Equity method & other income	1	1	1	-1	1	23%	6%	2	2	-41%
Total income incl. allocations	**145**	**154**	**151**	**147**	**155**	**-6%**	**-6%**	**597**	**658**	**-9%**
Staff costs	-34	-36	-39	-37	-34	-4%	0%	-146	-148	-2%
Other exp. excl. depreciations	-72	-70	-71	-68	-70	2%	3%	-281	-271	4%
Total expenses incl. allocations	**-108**	**-108**	**-113**	**-107**	**-106**	**0%**	**1%**	**-436**	**-428**	**2%**
Profit before loan losses	**37**	**46**	**38**	**40**	**49**	**-19%**	**-23%**	**161**	**230**	**-30%**
Net loan losses	-2	-2	-5	-4	-9	29%	-77%	-13	-22	-42%
Operating profit	**35**	**44**	**33**	**36**	**40**	**-21%**	**-10%**	**148**	**208**	**-28%**
Cost/income ratio, %	75	70	75	73	68			73	65	
ROCAR, %	9	12	9	11	13			10	17	
Economic capital (EC)	1,173	1,147	1,112	1,058	970	2%	21%	1,173	970	21%
Risk exposure amount (REA)	6,235	6,280	6,267	6,037	6,266	-1%	-1%	6,235	6,266	-1%
Number of employees (FTEs)	2,852	2,850	2,960	2,951	2,935	0%	-3%	2,852	2,935	-3%
Volumes, EURbn:										
Lending to corporates	0.1	0.1	0.1	0.1	0.1	0%	10%	0.1	0.1	10%
Household mortgage lending	26.0	25.9	25.8	25.7	25.8	0%	1%	26.0	25.8	1%
Consumer lending	5.3	5.3	5.3	5.3	5.3	0%	0%	5.3	5.3	0%
Total lending	**31.4**	**31.3**	**31.2**	**31.1**	**31.2**	**0%**	**1%**	**31.4**	**31.2**	**1%**
Corporate deposits	0.6	0.7	0.7	0.7	0.6	3%	15%	0.6	0.6	15%
Household deposits	19.9	19.7	19.9	19.7	19.8	1%	0%	19.9	19.8	0%
Total deposits	**20.5**	**20.4**	**20.6**	**20.4**	**20.4**	**1%**	**1%**	**20.5**	**20.4**	**1%**

Restatements due to organisational changes (New BA).

Personal Banking Norway

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	76	76	80	70	73	1%	3%	-2%	-1%	302	348	-13%	-10%
Net fee and commission income	20	22	23	20	23	-9%	-12%	-11%	-10%	85	86	-1%	7%
Net result from items at fair value	3	4	4	3	4	-43%	-36%	-46%	-41%	14	26	-48%	-46%
Equity method & other income	3	1	0	-1	0					3	-1		
Total income incl. allocations	**102**	**103**	**107**	**92**	**100**	**-1%**	**2%**	**-4%**	**-2%**	**404**	**459**	**-12%**	**-8%**
Staff costs	-19	-18	-18	-17	-19	4%	-3%	1%	-6%	-72	-77	-7%	-4%
Other exp. excl. depreciations	-40	-40	-41	-37	-38	0%	4%	-3%	2%	-158	-156	0%	5%
Total expenses incl. allocations	**-59**	**-59**	**-59**	**-55**	**-58**	**1%**	**1%**	**-2%**	**-1%**	**-232**	**-237**	**-2%**	**2%**
Profit before loan losses	**43**	**44**	**48**	**37**	**42**	**-4%**	**2%**	**-7%**	**-2%**	**172**	**222**	**-22%**	**-18%**
Net loan losses	0	-1	-2	-1	-1					-4	-4	15%	20%
Operating profit	**43**	**43**	**46**	**36**	**41**	**-1%**	**4%**	**-3%**	**0%**	**168**	**218**	**-23%**	**-19%**
Cost/income ratio, %	58	57	55	60	58					57	52		
ROCAR, %	12	12	13	10	11					12	15		
Economic capital (EC)	1,158	1,138	1,054	1,015	1,139	2%	2%	3%	-4%	1,158	1,139	2%	-4%
Risk exposure amount (REA)	5,080	5,081	4,818	4,787	4,894	0%	4%	1%	-2%	5,080	4,894	4%	-2%
Number of employees (FTEs)	922	934	944	921	915	-1%	1%	-1%	1%	922	915	1%	1%
Volumes, EURbn:													
Lending to corporates	0	0	0	0	0.1	-31%	42%	-30%	34%	0	0.1	42%	34%
Household mortgage lending	26.4	26.7	25.7	25.0	24.2	-1%	9%	0%	3%	26.4	24.2	9%	3%
Consumer lending	1.3	1.3	1.2	1.2	1.1	1%	12%	2%	6%	1.3	1.1	12%	6%
Total lending	**27.7**	**28.0**	**26.9**	**26.2**	**25.4**	**-1%**	**9%**	**0%**	**3%**	**27.7**	**25.4**	**9%**	**3%**
Corporate deposits	0.3	0.4	0.3	0.4	0.3	1%	5%	2%	-1%	0.3	0.3	5%	-1%
Household deposits	8.5	8.7	8.8	8.2	8.1	-3%	5%	-2%	-1%	8.5	8.1	5%	-1%
Total deposits	**8.8**	**9.1**	**9.1**	**8.6**	**8.4**	**-3%**	**5%**	**-1%**	**-1%**	**8.8**	**8.4**	**5%**	**-1%**

Restatements due to organisational changes (New BA).

Personal Banking Sweden

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	179	180	169	165	148	0%	21%	3%	26%	693	597	16%	17%
Net fee and commission income	62	57	63	65	62	9%	1%	13%	3%	247	255	-3%	-3%
Net result from items at fair value	7	6	8	5	10	12%	-31%	14%	-28%	26	38	-31%	-30%
Equity method & other income	0	0	1	0	0	-70%	-11%	-64%	15%	1	0		
Total income incl. allocations	**248**	**243**	**241**	**235**	**220**	**2%**	**13%**	**5%**	**17%**	**967**	**890**	**9%**	**9%**
Staff costs	-35	-35	-36	-38	-38	-1%	-10%	2%	-5%	-144	-151	-6%	-4%
Other exp. excl. depreciations	-73	-70	-77	-76	-72	4%	1%	6%	5%	-296	-280	6%	7%
Total expenses incl. allocations	**-109**	**-107**	**-115**	**-116**	**-112**	**2%**	**-3%**	**5%**	**1%**	**-447**	**-439**	**2%**	**3%**
Profit before loan losses	**139**	**136**	**126**	**119**	**108**	**3%**	**29%**	**6%**	**34%**	**520**	**451**	**15%**	**16%**
Net loan losses	-4	0	-3	-3	-5		-27%		-25%	-10	-16	-40%	-40%
Operating profit	**135**	**136**	**123**	**116**	**103**	**0%**	**32%**	**3%**	**37%**	**510**	**435**	**17%**	**18%**
Cost/income ratio, %	44	44	48	49	51					46	49		
ROCAR, %	18	19	18	18	16					18	18		
Economic capital (EC)	2,359	2,327	2,124	2,109	1,950	1%	21%	1%	26%	2,359	1,950	21%	26%
Risk exposure amount (REA)	4,977	5,312	4,917	4,986	5,025	-6%	-1%	-7%	3%	4,977	5,025	-1%	3%
Number of employees (FTEs)	2,119	2,121	2,171	2,174	2,185	0%	-3%	0%	-3%	2,119	2,185	-3%	-3%
Volumes, EURbn:													
Lending to corporates	0.6	0.5	0.6	0.6	0.6	6%	6%	6%	11%	0.6	0.6	6%	11%
Household mortgage lending	43.2	42.1	42.3	42.3	41.8	3%	3%	2%	8%	43.2	41.8	3%	8%
Consumer lending	4.1	4.1	4.2	4.3	4.3	0%	-6%	0%	-2%	4.1	4.3	-6%	-2%
Total lending	**47.9**	**46.7**	**47.1**	**47.2**	**46.7**	**3%**	**3%**	**2%**	**7%**	**47.9**	**46.7**	**3%**	**7%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	4%	-15%	3%	-12%	0.1	0.1	-15%	-12%
Household deposits	22.1	21.9	22.3	22.0	22.1	1%	0%	0%	4%	22.1	22.1	0%	4%
Total deposits	**22.2**	**22.0**	**22.4**	**22.1**	**22.2**	**1%**	**0%**	**0%**	**4%**	**22.2**	**22.2**	**0%**	**4%**

Restatements due to organisational changes (New BA).

Banking Baltic countries

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	37	38	38	36	37	-2%	0%	149	145	1%
Net fee and commission income	11	9	9	8	9	21%	19%	37	33	11%
Net result from items at fair value	4	8	6	5	3	-46%	43%	23	14	68%
Equity method & other income	1	0	0	0	0			1	0	
Total income incl. allocations	**53**	**55**	**53**	**49**	**49**	**-4%**	**7%**	**210**	**192**	**9%**
Staff costs	-7	-7	-7	-7	-7	7%	10%	-28	-27	6%
Other exp. excl. depreciations	-19	-15	-16	-13	-18	30%	8%	-63	-62	3%
Total expenses incl. allocations	**-26**	**-22**	**-24**	**-19**	**-24**	**22%**	**8%**	**-91**	**-87**	**4%**
Profit before loan losses	**27**	**33**	**29**	**30**	**25**	**-21%**	**5%**	**119**	**105**	**13%**
Net loan losses	-2	-1	-11	-7	-11	132%	-80%	-21	-13	63%
Operating profit	**25**	**32**	**18**	**23**	**14**	**-25%**	**76%**	**98**	**92**	**5%**
Cost/income ratio, %	49	40	45	39	49			43	45	
ROCAR, %	9	13	7	9	6			10	10	
Economic capital (EC)	786	777	795	788	704	1%	12%	786	704	12%
Risk exposure amount (REA)	4,831	4,849	5,051	5,028	4,954	0%	-2%	4,831	4,954	-2%
Number of employees (FTEs)	854	820	781	799	790	4%	8%	854	790	8%
Volumes, EURbn:										
Lending to corporates	5.4	5.4	5.2	5.2	5.2	1%	3%	5.4	5.2	3%
Household mortgage lending	2.6	2.6	2.6	2.5	2.5	1%	4%	2.6	2.5	4%
Consumer lending	0.4	0.4	0.4	0.4	0.4	1%	9%	0.4	0.4	9%
Total lending	**8.4**	**8.4**	**8.2**	**8.1**	**8.1**	**1%**	**4%**	**8.4**	**8.1**	**4%**
Corporate deposits	3.4	3.1	3.1	3.0	3.1	14%	10%	3.4	3.1	10%
Household deposits	1.4	1.3	1.3	1.3	1.3	3%	5%	1.4	1.3	5%
Total deposits	**4.8**	**4.4**	**4.4**	**4.3**	**4.4**	**11%**	**8%**	**4.8**	**4.4**	**8%**

Restatements due to organisational changes.

Personal Banking Other

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	2	-4	-10	-4	12		-95%	-16	28	
Net fee and commission income	7	3	2	1	2	170%	85%	13	16	-25%
Net result from items at fair value	-1	-1	5	2	0			5	1	188%
Equity method & other income	0	0	1	1	0		104%	2	1	-30%
Total income incl. allocations	**8**	**-2**	**-2**	**0**	**14**		**-38%**	**4**	**46**	**-87%**
Staff costs	-68	-71	-74	-82	-86	-6%	-21%	-295	-320	-7%
Other exp. excl. depreciations	65	62	100	54	77	2%	-17%	281	297	-5%
Total expenses incl. allocations	**-9**	**-13**	**24**	**-34**	**-14**	**-31%**	**-28%**	**-32**	**-44**	**-23%**
Profit before loan losses	**-1**	**-15**	**22**	**-34**	**0**	**-89%**		**-28**	**2**	
Net loan losses	0	-5	-4	-5	-33	-97%	-100%	-14	-40	-68%
Operating profit	**-1**	**-20**	**18**	**-39**	**-33**	**-91%**	**-95%**	**-42**	**-38**	**9%**
Economic capital (EC)	351	293	658	624	582	20%	-40%	351	582	-40%
Number of employees (FTEs)	3,129	3,040	2,960	2,951	2,927	3%	7%	3,129	2,927	7%

Commercial & Business Banking

Commercial & Business Banking originated when Retail Banking was split. The business area consists of Commercial Banking, Business Banking, Transaction Banking and Digital Banking.

Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for our corporate customers. Our strategy is to be trusted, relevant and easy to deal with for our customers.

More than 6,000 people work in the Commercial & Business Banking area.

Commercial Banking services large corporate customers and Business Banking services small and medium-sized corporate customers. Both units operate in Denmark, Sweden, Norway and Finland and service more than 600,000 corporate customers. The customers are serviced out of more than 300 physical and online branches across the Nordics.

The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Digital Banking consists of approximately 600 employees working with the digital experience for customers in both Personal Banking and Commercial & Business Banking.

Business development

The fourth quarter brought several new services and launches; to mention a few - Nordea Trade Portal, Nordea Trade Club and the partnership with MobilePay.
Our goal is to always have a holistic approach to advice through all channels, leveraging on a vast amount of experience and data. As a consequence of altered customer behaviour, we have opened several new online branches and have strengthened our tools to offer remote advice – whenever and wherever the customer wants.
The Nordea Trade Portal and Trade Club support customers looking to expand their business to new markets and find business partners in new areas. These services are available free of charge to all our corporate customers.

The collaboration with MobilePay will ease payment handling for corporates and secure access to the most comprehensive platform on the market.

We have launched Online Onboarding in Finland, which offers our new customers a quick and smooth process for joining Nordea.

We have introduced a negative interest rate on deposits for most corporate customers in Denmark as a consequence of the market situation. Our expectation is that this could be a more permanent state, and for this reason we are also in active dialogue with customers on alternative ways to invest their excess capital.

Transaction Banking

With a team of more than 3,000 people across multiple regions, Transaction Banking provides services to household and corporate customers across the Nordics. The services include payment solutions, point-of-sale solutions, supply chain finance and working capital management: leasing, factoring and trade finance.

Focus in the fourth quarter has been on improving the customer experience, innovation and compliance with EU regulations. The fourth quarter also brought several new launches, such as TF Global, NordeaPay and the Nordea Startup Accelerator, to mention a few.

TF Global is the new Trade Finance portal for customers with a new front-end to improve the customer experience and new back-end solution designed to increase efficiency and reduce delivery time to customers.

NordeaPay was launched in Finland, to provide Nordea customers with features including an e-wallet solution and the possibility to execute P2P payments. E-wallets play an important role in card-based in-store mobile payments, reaching maturity in the Nordics and attracting volumes in the fast growing international in-app and E-commerce businesses.

The Nordea Startup Accelerator is a three-month training and development programme which in 2016 counted 14 participating teams. The programme is driven by Group Digital with the strong support of Transaction Banking and in cooperation with Nestholma with the purpose of exploring new ways to drive digital developments and to find new tools to accelerate our innovation power and provide new solutions to our customers.

We launched a new global platform for leasing contracts with Finland as the initial country. The platform will lead to improved customer deliverables such as faster processing and better reporting.

Corporate Access and Corporate Netbank are now covering file transfers for payables and outgoing payments in XML format (in accordance with SEPA standards), and eliminating the handling of bookkeeping for customers.

Result

Total income increased 5% from the third quarter driven mainly by all-time high net fee and commission income. Net interest income increased 1% from the previous quarter as initiatives to increase margins took effect on both lending and deposits.
Lending volumes continued on a slightly downward trend, while deposit volumes picked up 4% from the previous quarter.

Net fee and commission income increased 19% from the third quarter, with a positive contribution from all countries and segments. The net result from items at fair value was down 1% from the previous quarter, but up 9% from Q4 2015.

Total expenses were seasonally high and increased 4% from the previous quarter. Net loan losses decreased 29%

and operating profit increased 17% compared to the third quarter.

Economic capital (EC) decreased 5% from the previous quarter and Risk exposure amount (REA) decreased 6% leading to a ROCAR increase from 8% to 10%.

Commercial Banking – result

Total income increased 8% from the previous quarter supported by all main income lines.
Net commission income increased 20% from the third quarter and was on an all-time high level driven by corporate finance transactions.
Net result of items at fair value increased 6% from the previous quarter and by 23% compared to the same period last year.

Net interest income trended upwards with an increase of 4% from the third quarter. Underlying lending volumes decreased 1% and deposit volumes increased 3%.
Total expenses decreased 2% from the previous quarter and net loan losses decreased 16%, leading to an improvement in operating profit of 24% compared to the third quarter.

Economic capital (EC) decreased 6% from the previous quarter and Risk exposure amount (REA) decreased 8% leading to an improvement in ROCAR from 8% to 10%.

Business Banking – result

Total income increased 3% from the third quarter, driven mainly by net fee and commission income. Lending volumes were unchanged while deposit volumes increased 5% and net interest income was stable in the quarter.

Total expenses were flat while net loan losses decreased 39%, resulting in an operating profit increase of 22% from the previous quarter.

Economic capital (EC) decreased 1% from the previous quarter and Risk exposure amount (REA) decreased 2% leading to an improvement in ROCAR from 10% to 12%.

Credit quality

Net loan losses decreased 29% from the third quarter. The loan loss ratio was 17 basis points, down from 24 basis points in the third quarter. Credit quality remained solid.

Distribution agreement with Wealth Management

The result excluding distribution agreement with wealth management is according to the principle that all income, cost, and capital is allocated to the customer responsible unit. This principle aligns with the internal management reporting and with the principle applied to all other product units in the group.

Commercial & Business Banking total

								Local curr.		Jan-	Jan-	Jan-Dec	16/15
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Dec 16	Dec 15	EUR	Local
Net interest income	276	273	282	279	302	1%	-8%	1%	-9%	1,110	1,215	-9%	-8%
Net fee and commission income	118	99	102	94	102	19%	15%	20%	16%	413	432	-4%	-4%
Net result from items at fair value	66	67	75	70	61	-1%	9%	-1%	10%	278	285	-2%	-1%
Equity method & other income	9	6	6	11	4	45%	112%	45%	113%	32	37	-13%	-12%
Total income incl. allocations	**469**	**445**	**465**	**454**	**469**	**5%**	**0%**	**6%**	**0%**	**1,833**	**1,969**	**-7%**	**-6%**
Staff costs	-116	-122	-122	-126	-128	-5%	-9%	-4%	-8%	-486	-521	-7%	-6%
Other exp. excl. depreciations	-117	-102	-127	-78	-91	15%	29%	15%	30%	-424	-391	8%	10%
Total expenses incl. allocations	**-242**	**-232**	**-256**	**-211**	**-225**	**4%**	**8%**	**5%**	**9%**	**-941**	**-936**	**0%**	**2%**
Profit before loan losses	**227**	**213**	**209**	**243**	**244**	**7%**	**-7%**	**6%**	**-8%**	**892**	**1,033**	**-14%**	**-13%**
Net loan losses	-34	-49	-36	-41	-6	-29%		-31%		-160	-171	-6%	-5%
Operating profit	**193**	**164**	**173**	**202**	**238**	**17%**	**-19%**	**17%**	**-19%**	**732**	**862**	**-15%**	**-14%**
Cost/income ratio, %	52	52	55	47	48					51	48		
ROCAR, %	10	8	8	11	13					9	13		
Economic capital (EC)	5,966	6,256	6,364	6,325	5,453	-5%	9%	-5%	8%	5,966	5,453	9%	8%
Risk exposure amount (REA)	33,041	35,186	37,964	37,805	38,256	-6%	-14%	-6%	-14%	33,041	38,256	-14%	-14%
Number of employees (FTEs)	6,082	6,152	6,129	6,020	6,011	-1%	1%	-1%	1%	6,082	6,011	1%	1%
Volumes, EURbn:													
Lending to corporates	70.6	71.2	70.8	70.9	70.7	-1%	0%	-1%	0%	70.6	70.7	0%	0%
Household mortgage lending [1]	6.9	7.0	7.1	7.0	6.9	-2%	0%	-2%	1%	6.9	6.9	0%	1%
Consumer lending [1]	2.3	2.4	2.3	2.4	2.4	0%	-3%	0%	-2%	2.3	2.4	-3%	-2%
Total lending	**79.8**	**80.6**	**80.2**	**80.3**	**80.0**	**-1%**	**0%**	**-1%**	**0%**	**79.8**	**80.0**	**0%**	**0%**
Corporate deposits	36.0	34.6	36.0	36.4	37.4	4%	-4%	4%	-4%	36.0	37.4	-4%	-4%
Household deposits [1]	3.3	3.3	3.3	3.2	3.2	0%	1%	2%	20%	3.3	3.2	1%	20%
Total deposits	**39.3**	**37.9**	**39.3**	**39.6**	**40.6**	**4%**	**-3%**	**4%**	**-3%**	**39.3**	**40.6**	**-3%**	**-3%**

Restatements due to organisational changes (New BA).

[1] Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Commercial & Business Banking excl. Distribution agreement with Wealth Management

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	276	272	281	278	302	1%	-8%	1%	-9%	1,107	1,215	-9%	-8%
Net fee and commission income	142	124	130	115	124	15%	14%	16%	15%	511	522	-2%	-1%
Net result from items at fair value	66	67	75	70	61	-1%	9%	-1%	10%	278	285	-2%	-1%
Equity method & other income	9	6	6	11	4	45%	112%	45%	113%	32	37	-13%	-12%
Total income incl. allocations	**493**	**469**	**492**	**474**	**491**	**5%**	**1%**	**5%**	**1%**	**1,928**	**2,059**	**-6%**	**-5%**
Staff costs	-116	-122	-122	-126	-128	-5%	-9%	-4%	-8%	-486	-521	-7%	-6%
Other exp. excl. depreciations	-124	-110	-135	-86	-99	14%	26%	14%	27%	-455	-423	7%	9%
Total expenses incl. allocations	**-250**	**-240**	**-263**	**-219**	**-233**	**4%**	**7%**	**5%**	**8%**	**-972**	**-968**	**0%**	**2%**
Profit before loan losses	**243**	**229**	**229**	**255**	**258**	**6%**	**-5%**	**6%**	**-6%**	**956**	**1,091**	**-12%**	**-11%**
Net loan losses	-34	-49	-36	-41	-6	-29%		-31%		-160	-171	-6%	-5%
Operating profit	**209**	**180**	**193**	**214**	**252**	**16%**	**-17%**	**16%**	**-17%**	**796**	**920**	**-13%**	**-13%**
Cost/income ratio, %	51	51	54	46	48					50	47		
ROCAR, %	10	9	9	11	14					10	13		
Economic capital (EC)	6,194	6,484	6,592	6,554	5,643	-4%	10%	-4%	9%	6,194	5,643	10%	9%
Risk exposure amount (REA)	33,041	35,186	37,964	37,805	38,256	-6%	-14%	-6%	-14%	33,041	38,256	-14%	-14%
Number of employees (FTEs)	6,082	6,152	6,129	6,020	6,011	-1%	1%	-1%	1%	6,082	6,011	1%	1%
Volumes, EURbn:													
Lending to corporates	70.6	71.2	70.8	70.9	70.7	-1%	0%	-1%	0%	70.6	70.7	0%	0%
Household mortgage lending[1]	6.9	7.0	7.1	7.0	6.9	-2%	0%	-2%	1%	6.9	6.9	0%	1%
Consumer lending[1]	2.3	2.4	2.3	2.4	2.4	0%	-3%	0%	-2%	2.3	2.4	-3%	-2%
Total lending	**79.8**	**80.6**	**80.2**	**80.3**	**80.0**	**-1%**	**0%**	**-1%**	**0%**	**79.8**	**80.0**	**0%**	**0%**
Corporate deposits	36.0	34.6	36.0	36.4	37.4	4%	-4%	4%	-4%	36.0	37.4	-4%	-4%
Household deposits[1]	3.3	3.3	3.3	3.2	3.2	0%	1%	2%	20%	3.3	3.2	1%	20%
Total deposits	**39.3**	**37.9**	**39.3**	**39.6**	**40.6**	**4%**	**-3%**	**4%**	**-3%**	**39.3**	**40.6**	**-3%**	**-3%**

Restatements due to organisational changes (New BA).

[1] Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

Commercial Banking

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	118	114	119	115	127	4%	-7%	3%	-7%	466	512	-9%	-7%
Net fee and commission income	59	49	58	52	52	20%	13%	22%	16%	218	213	2%	4%
Net result from items at fair value	53	49	57	52	43	6%	23%	7%	25%	211	209	1%	2%
Equity method & other income	1	1	1	5	-3	48%		48%		8	11	-24%	-24%
Total income incl. allocations	**231**	**213**	**235**	**224**	**219**	**8%**	**5%**	**8%**	**6%**	**903**	**945**	**-4%**	**-3%**
Staff costs	-27	-27	-27	-27	-27	-1%	-2%	-1%	-1%	-108	-110	-2%	-1%
Other exp. excl. depreciations	-63	-64	-65	-62	-67	-2%	-6%	-2%	-5%	-254	-267	-5%	-3%
Total expenses incl. allocations	**-90**	**-92**	**-93**	**-89**	**-95**	**-2%**	**-4%**	**-1%**	**-4%**	**-364**	**-380**	**-4%**	**-3%**
Profit before loan losses	**141**	**121**	**142**	**135**	**124**	**16%**	**13%**	**16%**	**14%**	**539**	**565**	**-5%**	**-3%**
Net loan losses	-20	-24	-7	-17	31	-16%		-18%		-68	-38	79%	83%
Operating profit	**121**	**97**	**135**	**118**	**155**	**24%**	**-23%**	**24%**	**-22%**	**471**	**527**	**-11%**	**-9%**
Cost/income ratio, %	39	43	40	40	43					40	40		
ROCAR, %	10	8	11	10	15					10	14		
Economic capital (EC)	3,645	3,884	3,922	3,925	3,424	-6%	6%	-6%	5%	3,645	3,424	6%	5%
Risk exposure amount (REA)	20,510	22,223	23,278	23,337	24,071	-8%	-15%	-8%	-16%	20,510	24,071	-15%	-16%
Number of employees (FTEs)	925	952	970	956	945	-3%	-2%	-3%	-2%	925	945	-2%	-2%
Volumes, EURbn:													
Lending to corporates	42.2	42.9	42.7	43.1	42.9	-2%	-2%	-1%	-2%	42.2	42.9	-2%	-2%
Household mortgage lending	0.2	0.2	0.2	0.2	0.2	-1%	-6%	-1%	-5%	0.2	0.2	-6%	-5%
Consumer lending	0.7	0.6	0.6	0.6	0.6	6%	7%	6%	8%	0.7	0.6	7%	8%
Total lending	**43.1**	**43.7**	**43.5**	**43.9**	**43.7**	**-1%**	**-2%**	**-1%**	**-2%**	**43.1**	**43.7**	**-2%**	**-2%**
Corporate deposits	17.0	16.6	17.8	18.4	18.8	3%	-9%	3%	-10%	17.0	18.8	-9%	-10%
Household deposits	0.2	0.2	0.2	0.2	0.2	1%	-14%	1%	-34%	0.2	0.2	-14%	-34%
Total deposits	**17.2**	**16.8**	**18.0**	**18.6**	**19.0**	**3%**	**-9%**	**3%**	**-9%**	**17.2**	**19.0**	**-9%**	**-9%**

Restatements due to organisational changes (New BA).

Business Banking

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR	16/15 Local
Net interest income	150	150	152	150	160	-1%	-7%	-1%	-7%	602	653	-8%	-7%
Net fee and commission income	67	62	64	59	68	9%	-1%	9%	-2%	252	269	-6%	-6%
Net result from items at fair value	19	18	18	18	18	7%	4%	6%	1%	73	76	-4%	-5%
Equity method & other income	2	0	-1	-1	0					0	1	-78%	-78%
Total income incl. allocations	**238**	**230**	**233**	**226**	**246**	**3%**	**-3%**	**3%**	**-4%**	**927**	**999**	**-7%**	**-7%**
Staff costs	-38	-39	-40	-40	-39	-5%	-3%	-4%	-2%	-157	-157	0%	1%
Other exp. excl. depreciations	-92	-90	-94	-90	-96	2%	-4%	3%	-3%	-366	-380	-3%	-2%
Total expenses incl. allocations	**-131**	**-131**	**-136**	**-131**	**-136**	**0%**	**-4%**	**1%**	**-3%**	**-529**	**-542**	**-3%**	**-2%**
Profit before loan losses	**107**	**99**	**97**	**95**	**110**	**7%**	**-3%**	**6%**	**-6%**	**398**	**457**	**-13%**	**-13%**
Net loan losses	-14	-24	-27	-22	-36	-39%	-61%	-40%	-61%	-87	-128	-33%	-32%
Operating profit	**93**	**75**	**70**	**73**	**74**	**22%**	**25%**	**18%**	**20%**	**311**	**329**	**-5%**	**-4%**
Cost/income ratio, %	55	57	58	58	55					57	54		
ROCAR, %	12	10	9	10	11					10	11		
Economic capital (EC)	2,440	2,470	2,401	2,365	1,983	-1%	23%	-1%	22%	2,440	1,983	23%	22%
Risk exposure amount (REA)	13,492	13,834	14,545	14,366	14,109	-2%	-4%	-3%	-5%	13,492	14,109	-4%	-5%
Number of employees (FTEs)	1,829	1,876	1,864	1,837	1,875	-3%	-2%	-3%	-2%	1,829	1,875	-2%	-2%
Volumes, EURbn:													
Lending to corporates	28.3	28.3	28.1	27.8	27.7	0%	2%	0%	2%	28.3	27.7	2%	2%
Household mortgage lending	6.8	6.9	6.9	6.8	6.7	-2%	0%	-2%	1%	6.8	6.7	0%	1%
Consumer lending	1.7	1.7	1.7	1.8	1.8	-2%	-6%	-3%	-6%	1.7	1.8	-6%	-6%
Total lending	**36.8**	**36.9**	**36.7**	**36.4**	**36.2**	**0%**	**1%**	**0%**	**2%**	**36.8**	**36.2**	**1%**	**2%**
Corporate deposits	19.0	18.0	18.2	18.0	18.6	6%	2%	5%	1%	19.0	18.6	2%	1%
Household deposits	3.1	3.1	3.1	3.0	3.0	0%	2%	2%	9%	3.1	3.0	2%	9%
Total deposits	**22.1**	**21.1**	**21.3**	**21.0**	**21.6**	**5%**	**2%**	**5%**	**2%**	**22.1**	**21.6**	**2%**	**2%**

Restatements due to organisational changes (New BA).

Commercial & Business Banking, other

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec EUR
Net interest income	8	9	11	14	15	11%	-49%	42	50	-23%
Net fee and commission income	-8	-12	-20	-17	-18	-28%	-54%	-57	-50	12%
Net result from items at fair value	-6	0	0	0	0			-6	0	
Equity method & other income	6	5	6	7	7	7%	-17%	24	25	-5%
Total income incl. allocations	**0**	**2**	**-3**	**4**	**4**			**3**	**25**	**-95%**
Staff costs	-51	-56	-55	-59	-62	-7%	-16%	-221	-254	-13%
Other exp. excl. depreciations	38	52	32	74	72	-27%	-47%	196	256	-23%
Total expenses incl. allocations	**-21**	**-9**	**-27**	**9**	**6**	**122%**		**-48**	**-14**	
Profit before loan losses	**-21**	**-7**	**-30**	**13**	**10**	**148%**		**-45**	**11**	
Net loan losses	0	-1	-2	-2	-1			-5	-5	21%
Operating profit	**-21**	**-8**	**-32**	**11**	**9**	**122%**		**-50**	**6**	
Economic capital (EC)	-119	-98	41	35	46	21%		-119	46	
Risk exposure amount (REA)	-961	-871	141	102	76			-1,589	76	0%
Number of employees (FTEs)	3,328	3,324	3,295	3,227	3,191	0%	4%	3,328	3,191	4%

Restatements due to organisational changes (New BA).

Wholesale Banking

Wholesale Banking provides financial solutions to Nordea's largest corporate and institutional customers. The business area incorporates the entire value chain including customer and product units as well as supporting IT and infrastructure.

Wholesale Banking emphasises a return-driven culture through continuous improvements and disciplined cost and capital management. A relationship-driven customer service model and effective business selection support income development and capital allocation.

Business development

Customer activity was solid in the quarter despite a persistently challenging macroeconomic environment and the uncertainty surrounding the US presidential election in November.

Wholesale Banking was recognised for its leading markets capabilities, and the strong performance was recognised with several no. 1 rankings in external surveys among both client and product units from both Greenwich and Prospera. The nominations follow market-leading league table positions.

Banking

Customer activity picked up in the fourth quarter. Corporates' muted borrowing need is still visible, as is tight price competition, especially for highly rated customers. Nordea was successful in product bundling to core customers, which made a positive contribution to return generation. Stricter business selection principles were also applied in order to further optimise balance sheet commitment and available ancillary business.

Lending margins held up well although the general loan market featured high lending capacity and risk appetite among Nordic peers.

Institutional customer activity improved in the fourth quarter as a result of the US presidential election. The increased activity towards the end of the quarter was mainly related to interest rate products.

Customer activity in Shipping, Offshore & Oil Services was moderate. A low oil price combined with oil and gas companies' lower spending on exploration and production continue to affect the offshore market.

In Russia, customer activity was moderate. Due to challenging geopolitical and economic environment the strategy to lower risks and exposure in Russia continued. The strategy is to focus on corporate banking services only. It has been decided to sell the existing portfolio of mortgage and consumer loans. The transaction, consisting of a loan portfolio of EUR 0.2bn, was executed in January 2017.

Capital markets

The third quarter slowdown of FICC activity initially extended into the beginning of the fourth quarter due to a persistently challenging hedging environment with low rates and high competitive pressure in most main markets. Furthermore, the imminent US election in early November led to lower demand as customers became more risk-averse. However, market activity and movements increased in the wake of the election. Overall, the fourth quarter result ended above the levels of 2015.

The corporate debt activity in the fourth quarter continued at a decent pace. Developments were in line with the rest of 2016 with good refinancing activity combined with sizeable M&A and IPO financing. This generated solid revenues from loan financing, and the bond market remained active throughout the quarter. Nordea achieved no.1 positions in both syndicated loan and corporate bond league tables for 2016.

Leverage Finance activity in the fourth quarter was characterized by many small and medium-sized M&A processes and a lack of large cap transactions. Nordea had a leading bookrunner role in several notable transactions for e.g. Perstorp Holding, Verisure, Unilabs and Polygon. Competition remains fierce in terms of leverage and pricing from both international and local banks as well as alternative finance providers.

Nordic ECM activity remained high in the fourth quarter. Nordea successfully led the SEK 7bn IPO of Ahlsell, one of the three largest IPOs in the Nordic region this year, making Nordea the largest ECM house in the Nordics in 2016. In line with the trend in Europe, M&A activity declined slightly in the quarter compared to Q4 2015.

In the Nordic equity markets Q4 showed good results in equity sales as well as equity finance activity, although the primary markets were somewhat challenged.

Credit quality

Net loan losses increased to EUR 96m, primarily reflecting the challenging environment within oil-related industries. The loan loss ratio was 48 bps, up 12 bps from the previous quarter.

Result

Total income was EUR 655m, up 14% from the previous quarter, mainly due to an increase in net result from items at fair value reflecting higher customer activity and positive valuation adjustments.

Total expenses increased to EUR 254m in the fourth quarter, equivalent to a 4% decrease on a full-year basis. Sustained strict resource management resulted in a competitive cost/ income ratio of 39%.
Operating profit was EUR 305m and the business area ROCAR increased to 11% from 10% in the previous quarter.

Corporate & Institutional Banking

Total income was EUR 375m, up 16% from the previous quarter. Net interest income was down 1%, whereas net fee and commission income was up 11% and items at fair value increased by 62% from the previous quarter. Lending capacity and risk appetite remained high among Nordic banks, leading to aggressive pricing. The lending volumes were down by 2% from the previous quarter.

Corporate & Institutional Banking ROCAR for the fourth quarter was 15%, up by 2%-points from the previous quarter.

Shipping, Offshore & Oil Services
Total income was EUR 83m, down 9% from the previous quarter, mainly due to lower income from items at fair value compared to a high third quarter. Net interest and commission income was stable.
Net loan losses fell from the previous quarter, primarily due to lower collective provisions.

Banking Russia
Total income was EUR 47m, largely unchanged from the previous quarter. Compared to the same quarter of 2015, the lending portfolio decreased 36%, equivalent to EUR 2bn. The reduction in the lending portfolio reflects the strategy based on a more selective approach for new business.

Wholesale Banking other
(including Capital Markets unallocated)
Wholesale Banking other total income increased from the previous quarter, mainly due to higher income from items at fair value, which was impacted by positive fair value adjustment.

Wholesale Banking other is the residual result not allocated to customer units. This income includes the unallocated income from Capital Markets and International Division. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Wholesale Banking other comprises all staff in Capital Markets as well as support units. The costs are largely extent allocated to customer units.

Wholesale Banking total

								Local curr.		Jan-	Jan-	Jan-Dec	16/15
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Dec 16	Dec 15	EUR	Local
Net interest income	203	204	209	214	251	0%	-19%	-2%	-19%	830	1,018	-18%	-15%
Net fee and commission income	159	145	163	162	161	10%	-1%	9%	0%	629	600	5%	6%
Net result from items at fair value	294	226	170	113	190	30%	55%	31%	55%	803	832	-3%	-4%
Equity method & other income	-1	1	0	0	0					0	2		
Total income incl. allocations	**655**	**576**	**542**	**489**	**602**	**14%**	**9%**	**13%**	**9%**	**2,262**	**2,452**	**-8%**	**-6%**
Staff costs	-172	-155	-159	-139	-170	11%	1%	10%	2%	-625	-649	-4%	-2%
Other exp. excl. depreciations	-76	-62	-65	-67	-77	23%	-1%	25%	1%	-270	-285	-5%	-4%
Total expenses incl. allocations	**-254**	**-221**	**-229**	**-211**	**-250**	**15%**	**2%**	**15%**	**2%**	**-915**	**-953**	**-4%**	**-3%**
Profit before loan losses	**401**	**355**	**313**	**278**	**352**	**13%**	**14%**	**12%**	**14%**	**1,347**	**1,499**	**-10%**	**-8%**
Net loan losses	-96	-71	-56	-56	-56	35%	71%	35%	82%	-279	-158	77%	88%
Operating profit	**305**	**284**	**257**	**222**	**296**	**7%**	**3%**	**7%**	**2%**	**1,068**	**1,341**	**-20%**	**-20%**
Cost/income ratio, %	39	38	42	43	42					40	39		
ROCAR, %	11	10	9	8	11					10	13		
Economic capital (EC)	8,365	8,607	9,109	8,926	7,824	-3%	7%			8,365	7,824	7%	
Risk exposure amount (REA)	48,564	50,491	53,440	52,639	51,413	-4%	-6%			48,564	51,413	-6%	
Number of employees (FTEs)	4,059	4,089	4,046	4,023	4,022	-1%	1%			4,059	4,022	1%	
Volumes, EURbn:													
Lending to corporates	80.3	88.3	100.0	99.4	99.1	-9%	-19%			80.3	99.1	-19%	
Lending to households	0.2	0.2	0.3	0.3	0.3	0%	-33%			0.2	0.3	-33%	
Total lending	**80.5**	**88.5**	**100.3**	**99.7**	**99.4**	**-9%**	**-19%**	**-10%**	**-19%**	**80.5**	**99.4**	**-19%**	**-19%**
Corporate deposits	47.1	58.1	60.7	68.8	57.3	-19%	-18%			47.1	57.3	-18%	
Household deposits	0.1	0.1	0.1	0.1	0.1	0%	0%			0.1	0.1	0%	
Total deposits	**47.2**	**58.2**	**60.8**	**68.9**	**57.4**	**-19%**	**-18%**	**-19%**	**-17%**	**47.2**	**57.4**	**-18%**	**-17%**

Corporate & Institutional Banking

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	129	130	131	129	149	-1%	-13%	519	602	-14%
Net fee and commission income	144	130	157	143	146	11%	-1%	574	535	7%
Net result from items at fair value	102	63	79	67	74	62%	38%	311	310	0%
Equity method & other income	0	0	0	0	0	0%	0%	0	0	0%
Total income incl. allocations	**375**	**323**	**367**	**339**	**369**	**16%**	**2%**	**1,404**	**1,447**	**-3%**
Staff costs	-8	-7	-9	-9	-9	14%	-11%	-33	-37	-11%
Other exp. excl. depreciations	-102	-102	-103	-103	-100	0%	2%	-410	-403	2%
Total expenses incl. allocations	**-110**	**-109**	**-112**	**-112**	**-110**	**1%**	**0%**	**-443**	**-441**	**0%**
Profit before loan losses	**265**	**214**	**255**	**227**	**259**	**24%**	**2%**	**961**	**1,006**	**-4%**
Net loan losses	-38	-9	-17	-39	-57	322%	-33%	-103	-142	-27%
Operating profit	**227**	**205**	**238**	**188**	**202**	**11%**	**12%**	**858**	**864**	**-1%**
Cost/income ratio, %	29	34	31	33	30			32	30	
ROCAR, %	15	13	15	13	15			14	16	
Economic capital (EC)	4,398	4,581	5,028	4,743	4,194	-4%	5%	4,398	4,194	5%
Risk exposure amount (REA)	26,750	28,018	30,807	29,163	28,748	-5%	-7%	26,750	28,748	-7%
Number of employees (FTEs)	168	171	168	174	174	-2%	-3%	168	174	-3%
Volumes, EURbn:										
Total lending	37.9	38.7	40.8	41.7	41.4	-2%	-8%	37.9	41.4	-8%
Total deposits	35.5	34.8	33.7	39.3	40.0	2%	-11%	35.5	40.0	-11%

Shipping, Offshore & Oil Services

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	64	63	61	64	74	2%	-14%	252	294	-14%
Net fee and commission income	14	15	14	14	16	-7%	-13%	57	68	-16%
Net result from items at fair value	5	13	7	6	5	-62%	0%	31	39	-21%
Equity method & other income	0	0	0	0	0	0%	0%	0	0	0%
Total income incl. allocations	**83**	**91**	**82**	**84**	**95**	**-9%**	**-13%**	**340**	**401**	**-15%**
Staff costs	-5	-5	-4	-4	-5	0%	0%	-18	-20	-10%
Other exp. excl. depreciations	-11	-10	-11	-12	-12	10%	-8%	-44	-45	-2%
Total expenses incl. allocations	**-16**	**-15**	**-15**	**-16**	**-17**	**7%**	**-6%**	**-62**	**-65**	**-5%**
Profit before loan losses	**67**	**76**	**67**	**68**	**78**	**-12%**	**-14%**	**278**	**336**	**-17%**
Net loan losses	-49	-59	-24	-15	-8	-17%	513%	-147	-6	
Operating profit	**18**	**17**	**43**	**53**	**70**	**6%**	**-74%**	**131**	**330**	**-60%**
Cost/income ratio, %	19	16	18	19	18			18	16	
ROCAR, %	4	3	9	11	16			7	19	
Economic capital (EC)	1,595	1,528	1,537	1,552	1,376	4%	16%	1,595	1,376	16%
Risk exposure amount (REA)	9,697	9,355	9,390	9,597	9,785	4%	-1%	9,697	9,785	-1%
Number of employees (FTEs)	79	81	76	79	79	-2%	0%	79	79	0%
Volumes, EURbn:										
Total lending	12.0	11.8	12.0	11.9	12.4	2%	-3%	12.0	12.4	-3%
Total deposits	5.1	4.7	4.6	4.8	5.4	9%	-6%	5.1	5.4	-6%

Banking Russia

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	39	41	45	48	53	-5%	-26%	-8%	-31%	173	214	-19%
Net fee and commission income	4	4	3	3	4	0%	0%	27%	14%	14	16	-13%
Net result from items at fair value	4	3	4	4	3	33%	33%	27%	56%	15	11	36%
Equity method & other income	0	0	0	0	1	0%	0%	0%	0%	0	1	
Total income incl. allocations	**47**	**48**	**52**	**55**	**61**	**-2%**	**-23%**	**-3%**	**-25%**	**202**	**242**	**-17%**
Staff costs	-10	-9	-7	-8	-10	11%	0%	-3%	-10%	-34	-45	-24%
Other exp. excl. depreciations	-5	-4	-4	-4	-6	25%	-17%	22%	-16%	-17	-22	-23%
Total expenses incl. allocations	**-16**	**-14**	**-12**	**-13**	**-16**	**14%**	**0%**	**7%**	**-7%**	**-55**	**-75**	**-27%**
Profit before loan losses	**31**	**34**	**40**	**42**	**45**	**-9%**	**-31%**	**-8%**	**-31%**	**147**	**167**	**-12%**
Net loan losses	-9	-3	-15	-4	-2					-31	-23	35%
Operating profit	**22**	**31**	**25**	**38**	**43**	**-29%**	**-49%**	**-25%**	**-47%**	**116**	**144**	**-19%**
Cost/income ratio, %	34	29	23	24	26					27	31	
ROCAR, %	15	20	16	24	27					19	23	
Economic capital (EC)	430	459	484	505	471	-6%	-9%			430	471	-9%
Risk exposure amount (REA)	2,744	2,911	3,140	3,289	3,363	-6%	-18%			2,744	3,363	-18%
Number of employees (FTEs)	722	776	792	809	846	-7%	-15%			722	846	-15%
Volumes, EURbn:												
Lending to corporates	3.8	3.8	4.7	5.3	5.7	0%	-33%			3.8	5.7	-33%
Lending to households	0.2	0.2	0.3	0.3	0.3	0%	-33%			0.2	0.3	-33%
Total lending	**4.0**	**4.0**	**5.0**	**5.6**	**6.0**	**0%**	**-33%**	**-4%**	**-36%**	**4.0**	**6.0**	**-33%**
Corporate deposits	0.6	0.6	0.6	0.5	0.7	0%	-14%			0.6	0.7	-14%
Household deposits	0.1	0.1	0.1	0.1	0.1	0%	0%			0.1	0.1	0%
Total deposits	**0.7**	**0.7**	**0.7**	**0.6**	**0.8**	**0%**	**-13%**	**-4%**	**-23%**	**0.7**	**0.8**	**-13%**

Wholesale Banking Other

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	-29	-30	-28	-27	-25	-3%	16%	-114	-92	24%
Net fee and commission income	-3	-4	-11	2	-5	-25%	-40%	-16	-19	-16%
Net result from items at fair value	183	147	80	36	108	24%	69%	446	472	-6%
Equity method & other income	-1	1	0	0	-1			0	1	
Total income incl. allocations	**150**	**114**	**41**	**11**	**77**	**32%**	**95%**	**316**	**362**	**-13%**
Staff costs	-149	-134	-139	-118	-146	11%	2%	-540	-547	-1%
Other exp. excl. depreciations	42	54	53	52	41	-22%	2%	201	185	9%
Total expenses incl. allocations	**-112**	**-83**	**-90**	**-70**	**-107**	**35%**	**5%**	**-355**	**-372**	**-5%**
Profit before loan losses	**38**	**31**	**-49**	**-59**	**-30**	**23%**	**-227%**	**-39**	**-10**	**290%**
Net loan losses	0	0	0	2	11	0%		2	13	-85%
Operating profit	**38**	**31**	**-49**	**-57**	**-19**	**23%**	**-300%**	**-37**	**3**	**0%**
Economic capital (EC)	1,942	2,039	2,060	2,126	1,783	-5%	9%	1,942	1,783	9%
Risk exposure amount (REA)	9,373	10,207	10,103	10,590	9,517	-8%	-2%	9,373	9,517	-2%
Number of employees (FTEs)	3,090	3,061	3,010	2,961	2,923	1%	6%	3,090	2,923	6%
Volumes, EURbn:										
Total lending	26.6	34.0	42.5	40.5	39.6	-22%	-33%	26.6	39.6	-33%
Total deposits	5.9	18.0	21.8	24.2	11.2	-67%	-47%	5.9	11.2	-47%

Wealth Management

Wealth Management provides high quality investment, savings and risk management solutions. It manages customers' assets and gives financial advice to high net worth individuals and institutional investors. Wealth Management is comprised of: Private Banking serving customers from 80 branches in the Nordics as well as from offices in Luxembourg, Zürich and Singapore; Asset Management responsible for actively managed investment funds and mandates and for serving institutional asset management customers; Life & Pensions serving customers with a full range of pension, endowment and risk products. Wealth Management is the largest Nordic private bank, life & pensions provider, and asset manager.

Business development

Nordea's Assets under Management (AuM) increased to EUR 322.7bn, up EUR 5.3bn or 2% from the previous quarter and up 12% from the same quarter last year. The increase in AuM in the fourth quarter was due to a positive market appreciation of EUR 5.5bn, and net flow of EUR -0.2bn, ending the quarter with AuM at another all-time high.

Private Banking customers' appetite for equity products and discretionary management solutions remained strong in the fourth quarter. Wealth Planning services was another area that continued to grow in importance due to greater regulatory complexity and increasingly sophisticated customer needs.

Efforts to enhance productivity in all Private Banking units are in progress, including activities that will streamline processes, upgrade IT systems and make room for further enhancements of the value proposition. Private Banking E-branches are now available in all Nordic countries providing access to personal advice over PC, mobile or tablet seven days a week.

In the fourth quarter, Nordea Private Banking was awarded “Best Private Bank in Denmark” and “Best Private Bank in Norway” at the Global Private Banking Awards Ceremony, held by the global financial magazine The Banker.

A strong focus is maintained on customer acquisition as well as optimising the service & advisory model to the needs of customers and regulatory changes in the market. Net flow in Private Banking was EUR 0.4bn in Q4. This includes an outflow of 0.4bn, as customers were transferred to Nordea Personal Banking in Finland, following the recent increase of the threshold.

Asset Management maintained its strong momentum in sales and revenues in all customer segments. Notably, Nordea was ranked number one in Europe based on net flow YTD by Morningstar as of end of November.

Wholesale Distribution reported a net outflow of EUR 1.6bn, affected by the soft-closure of the Nordea1 Stable Return fund, and general market uncertainty caused by the US election and Italian referendum.

In the fourth quarter, Asset Management was named Multi-Asset Manager of the year. It also won an award for the best ESG investment process in Europe three years in a row by cfi.co.

Investment performance was strong in 2016 with 81% of composites outperforming benchmarks. The 3-year performance remains strong and above target with 85% of all composites outperforming their benchmarks.

Life & Pensions' gross written premiums reached EUR 6,562m in 2016, 20% lower than the record levels reported in 2015 (8,155m). In the fourth quarter, gross written premiums received from market return products amounted to EUR 1,476, 11% lower than in the same period of 2015.

Sales in the Nordea Bank channel accounted for three-quarters of the gross written premiums generated by market return products in the fourth quarter.

In the fourth quarter market return products and risk products accounted for 91% of total gross written premiums. Market return products continues to support the growth of AuM and constituted 61% of total AuM in Life & Pensions by the end of 2016 compared to 58% at the beginning of the year.

In November it was announced that customer-owned Foreningen NLP will purchase 25% of the share capital in Nordea Liv & Pension (NLP DK), opening up a unique opportunity to serve the mutual interests of customers and NLP DK. The overall price was 2,175 DKKm (291 EURm). In relation to this transaction, NLP DK distributed EUR 375m to Nordea Life Holding AB, improving the Life Group solvency capital position by approximately 16%-points.

Result

Fourth quarter income was EUR 538m, up 10% from the previous quarter. The increase was due to strong growth across all businesses. Compared to the same quarter last year income is up 3%.

Costs increased 4% compared to the previous quarter due to seasonal fluctuations but increased only 2% from the same quarter last year due to successful cost management. Operating profit was EUR 331m, up 15% from the previous quarter and up 3% from the same quarter last year.

Private Banking

Total income was EUR 147m in the fourth quarter, up 18% from the previous quarter. The increased income level was supported by higher recurring income from increased AuM in discretionary solutions and in life products. Compared to the same period last year income was down 5% mainly due to reduced margins impacting the income growth negatively, while the underlying business growth was highly satisfactory. The continued strict focus on cost and simplification initiatives resulted in an operating profit of EUR 61m, and ROCAR at 31%.

Asset Management
Asset Management income was EUR 239m in the fourth quarter, up 11% from the previous quarter and up 17% from the same quarter last year. The increase was due to an growth in average AuM. Operating profit was EUR 175m, up 15% from the previous quarter and up 22% from the same quarter last year. Strong business momentum led to an improved cost/income ratio of 27%, improved 2%-points compared to both the previous quarter, and the same quarter last year.

Life & Pensions
Total income was EUR 158m in the fourth quarter, up 7% from the previous quarter and down 4% compared to the same period last year. Operating profit was EUR 105m, down 10% compared to the same quarter last year. Compared to the previous quarter operating profit was up 5%, driven by increased volume in market return products.

Wealth Management other
Wealth Management other consists of income and costs related to the Wealth Management business area, but not allocated to the business units.

Wealth Management total

								Local curr.		Jan-	Jan-	16/15	
EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Dec 16	Dec 15	EUR	Local
Net interest income	30	28	28	26	36	7%	-17%	7%	-21%	112	121	-7%	-10%
Net fee and commission income	422	383	378	338	384	10%	10%	9%	9%	1,521	1,437	6%	6%
Net result from items at fair value	90	70	84	108	92	29%	-2%	31%	-2%	352	341	3%	2%
Equity method & other income	-4	7	8	8	11					19	30	-37%	-37%
Total income incl. allocations	**538**	**488**	**498**	**480**	**523**	**10%**	**3%**	**10%**	**2%**	**2,004**	**1,929**	**4%**	**4%**
Staff costs	-128	-125	-125	-122	-123	2%	4%	2%	3%	-500	-501	0%	-1%
Other exp. excl. depreciations	-77	-73	-74	-71	-79	5%	-3%	2%	-1%	-295	-295	0%	0%
Total expenses incl. allocations	**-207**	**-200**	**-201**	**-196**	**-203**	**4%**	**2%**	**2%**	**2%**	**-804**	**-801**	**0%**	**0%**
Profit before loan losses	**331**	**288**	**297**	**284**	**320**	**15%**	**3%**	**15%**	**1%**	**1,200**	**1,128**	**6%**	**5%**
Net loan losses	0	0	0	0	0					0	-1		
Operating profit	**331**	**288**	**297**	**284**	**320**	**15%**	**3%**	**15%**	**1%**	**1,200**	**1,127**	**6%**	**5%**
Cost/income ratio, %	38	41	40	41	39					40	42	-3%	
ROCAR, %	38	35	38	36	40					36	37	0%	
Economic capital (EC)	2,809	2,593	2,459	2,367	2,521	8%	11%	8%	11%	2,809	2,521	11%	11%
Risk exposure amount (REA)	5,977	5,730	5,579	5,526	5,669	4%	5%	4%	5%	5,977	5,669	5%	5%
Number of employees (FTEs)	3,640	3,692	3,673	3,613	3,596	-1%	1%	-1%	1%	3,640	3,596	1%	1%
Volumes, EURbn:													
AuM	322.7	317.4	300.2	290.9	288.2	2%	12%	2%	12%	322.7	288.2	12%	12%
Total lending	11.5	11.0	10.8	10.6	10.6	5%	8%	5%	8%	11.5	10.6	8%	8%
Total deposits	13.5	13.3	13.5	13.1	12.6	2%	7%	2%	7%	13.5	12.6	7%	7%

Restatement due to organisational changes.

Assets under Management (AuM), volumes and net inflow

EURbn	Q416	Q416 Net inflow	Q316	Q216	Q116	Q415
Nordic Retail funds	59.2	0.9	56.6	54.1	53.2	54.5
Private Banking	100.2	0.4	97.6	93.2	92.2	93.6
Institutional sales	91.7	-1.5	92.6	84.6	78.0	73.7
Life & Pensions	71.6	0.0	70.6	68.3	67.5	66.4
Total	**322.7**	**-0.2**	**317.4**	**300.2**	**290.9**	**288.2**

Private Banking

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	30	28	28	26	36	7%	-17%	112	121	-7%
Net fee and commission income	93	78	85	70	89	19%	4%	326	337	-3%
Net result from items at fair value	25	16	22	22	25	56%	0%	85	102	-17%
Equity method & other income	-1	3	2	3	4			7	9	-22%
Total income incl. allocations	**147**	**125**	**137**	**121**	**154**	**18%**	**-5%**	**530**	**569**	**-7%**
Staff costs	-35	-41	-44	-42	-43	-15%	-19%	-162	-175	-7%
Other exp. excl. depreciations	-49	-47	-49	-46	-45	4%	9%	-191	-179	7%
Total expenses incl. allocations	**-86**	**-90**	**-95**	**-90**	**-89**	**-4%**	**-3%**	**-361**	**-357**	**1%**
Profit before loan losses	**61**	**35**	**42**	**31**	**65**	**74%**	**-6%**	**169**	**212**	**-20%**
Net loan losses	0	0	0	0	0			0	-1	
Operating profit	**61**	**35**	**42**	**31**	**65**	**74%**	**-6%**	**169**	**211**	**-20%**
Cost/income ratio, %	59	72	69	74	58	-18%	2%	68	63	
ROCAR, %	31	19	23	17	36			23	31	
Economic capital (EC)	624	595	563	565	573	5%	9%	624	573	9%
Risk exposure amount (REA)	3,487	3,246	3,110	3,082	3,360	7%	4%	3,487	3,360	4%
Number of employees (FTEs)	1,173	1,217	1,235	1,245	1,230	-4%	-5%	1,173	1,230	-5%
Volumes, EURbn:										
AuM	100.2	97.6	93.2	92.2	93.6	3%	7%	100.2	93.6	7%
Household mortgage lending	7.2	7.1	7.0	6.8	6.7	1%	7%	7.2	6.7	7%
Consumer lending	4.3	3.9	3.8	3.8	3.8	10%	12%	4.3	3.8	12%
Total lending	**11.5**	**11.0**	**10.8**	**10.6**	**10.6**	**5%**	**9%**	**11.5**	**10.6**	**9%**
Household deposits	13.5	13.3	13.5	13.1	12.6	2%	7%	13.5	12.6	7%
Total deposits	**13.5**	**13.3**	**13.5**	**13.1**	**12.6**	**2%**	**7%**	**13.5**	**12.6**	**7%**

Restatement due to organisational changes.

Asset Management

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	242	214	210	183	200	13%	21%	849	760	12%
Net result from items at fair value	-2	1	2	0	2			1	3	-67%
Equity method & other income	-1	0	0	1	2			0	4	
Total income incl. allocations	**239**	**215**	**212**	**184**	**204**	**11%**	**17%**	**850**	**767**	**11%**
Staff costs	-42	-38	-34	-32	-30	11%	40%	-146	-135	8%
Other exp. excl. depreciations	-22	-25	-27	-24	-30	-12%	-27%	-98	-101	-3%
Total expenses incl. allocations	**-64**	**-63**	**-60**	**-57**	**-60**	**2%**	**7%**	**-244**	**-237**	**3%**
Profit before loan losses	**175**	**152**	**152**	**127**	**144**	**15%**	**22%**	**606**	**530**	**14%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**175**	**152**	**152**	**127**	**144**	15%	22%	**606**	**530**	**14%**
Cost/income ratio, %	27	29	28	31	29	-8%	-8%	29	31	-7%
Income/AuM in bp p.a.	44	42	43	39	44	5%	0%	42	41	2%
Economic capital (EC)	175	175	169	152	109	0%	61%	175	109	61%
Risk exposure amount (REA)	697	691	676	651	516	1%	35%	697	516	35%
AuM, Retail, PB and Life, EURbn	125.3	121.9	117.1	115.1	115.2	3%	9%	125.3	115.2	9%
AuM, Ext. Inst. & 3rd part. dist., EURbn	91.7	92.6	84.6	78.0	73.8	-1%	24%	91.7	73.8	24%
Net inf., Retail, PB and Life, EURbn	1.1	1.8	-0.1	0.5	1.1	-39%	0%	1.1	1.1	0%
Net inf., Ext. Ins. & 3rd part. dis., EURbn	-1.5	7.0	5.3	3.5	0.1			-1.5	0.1	
Number of employees (FTEs)	660	651	634	620	597	1%	11%	660	597	11%

Life & Pensions

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	87	91	83	85	95	-4%	-8%	346	340	2%
Net result from items at fair value	67	53	60	86	65	26%	3%	266	236	13%
Equity method & other income	4	4	5	5	5	0%	-20%	18	17	6%
Total income incl. allocations	**158**	**148**	**148**	**176**	**165**	**7%**	**-4%**	**630**	**593**	**6%**
Staff costs	-28	-26	-27	-28	-29	8%	-3%	-109	-111	-2%
Other exp. excl. depreciations	-25	-22	-21	-21	-19	14%	32%	-89	-86	3%
Total expenses incl. allocations	**-53**	**-48**	**-48**	**-49**	**-48**	**10%**	**10%**	**-198**	**-197**	**1%**
Profit before loan losses	**105**	**100**	**100**	**127**	**117**	**5%**	**-10%**	**432**	**396**	**9%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**105**	**100**	**100**	**127**	**117**	**5%**	**-10%**	**432**	**396**	**9%**
Cost/income ratio, %	34	32	32	28	29	6%	17%	31	33	-5%
Return on Equity, %	19	18	20	22	20	6%	-5%	20	19	5%
Equity	1,961	1,780	1,687	1,609	1,812	10%	8%	1,961	1,812	8%
AuM, EURbn	65.7	64.8	62.7	61.9	60.6	1%	8%	65.7	60.6	8%
Premiums	1,668	1,558	1,532	1,784	1,918	7%	-13%	6,542	8,155	-20%
Risk exposure amount (REA)	1,793	1,793	1,793	1,793	1,793	0%	0%	1,793	1,793	0%
Number of employees (FTEs)	1,155	1,167	1,160	1,114	1,094	-1%	6%	1,155	1,094	6%
Profit drivers										
Profit Traditional products	32	24	26	41	36	33%	-11%	123	110	12%
Profit Market Return products	61	58	53	59	70	5%	-13%	231	223	4%
Profit Risk products	22	20	21	18	18	10%	22%	81	72	13%
Total product result	**115**	**102**	**100**	**118**	**124**	**13%**	**-7%**	**435**	**405**	**7%**
Return on Shareholder equity, other profits and group adj.	-10	-2	0	9	-7		43%	-3	-9	-67%
Operating profit	**105**	**100**	**100**	**127**	**117**	**5%**	**-10%**	**432**	**396**	**9%**

Wealth Management Other

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15	Jan-Dec 16/15
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	0	0	0	0	0			0	0	
Net result from items at fair value	0	0	0	0	0			0	0	
Equity method & other income	-6	0	1	-1	0			-6	0	
Total income incl. allocations	**-6**	**0**	**1**	**-1**	**0**			**-6**	**0**	
Staff costs	-23	-20	-20	-20	-21	15%	10%	-83	-80	4%
Other exp. excl. depreciations	19	21	23	20	15	-10%	27%	83	71	17%
Total expenses incl. allocations	**-4**	**1**	**2**	**0**	**-6**		**-33%**	**-1**	**-10**	**-90%**
Profit before loan losses	**-10**	**1**	**3**	**-1**	**-6**		**67%**	**-7**	**-10**	**-30%**
Net loan losses	0	0	0	0	0			0	0	
Imp. of sec. fin. non-cur. ass.	0	0	0	0	0			0	0	
Operating profit	**-10**	**1**	**3**	**-1**	**-6**		**67%**	**-7**	**-10**	**-30%**
Economic capital (EC)	49	43	40	41	27	14%	81%	49	27	81%
Number of employees (FTEs)	652	657	644	634	675	-1%	-3%	652	675	-3%

Group Functions and other

Together with the results in the business areas, the results of Group Functions & other add up to the reported result for the Group. The main income in Group Corporate Centre (GCC) originates from Group Treasury & ALM together with Capital account centre, through which capital is allocated to business areas.

Group Corporate Centre

Business development – Nordea’s funding, liquidity and market risk management

At the end of the fourth quarter, the proportion of long-term funding of total funding was approx. 82%, unchanged compared to the end of the third quarter.

The structural liquidity risk of Nordea is measured and limited through an internal model which conceptually resembles the proposed Net Stable Funding Ratio (NSFR), but applies internal-based assumptions for the stability of assets and liabilities. The structure of the balance sheet is considered conservative and well-balanced and appropriately adapted to the current economic and regulatory environment, also in terms of structural liquidity risk.

Short-term liquidity risk is measured using several metrics and Liquidity Coverage Ratio is one of the metrics. LCR for the Nordea Group was 159% at the end of the fourth quarter. The LCR in EUR was 334% and in USD 221% at the end of the fourth quarter. LCR for the Nordea Group according to CRR LCR definitions was 165% at the end of the fourth quarter. The liquidity buffer comprises highly liquid, primarily Nordic government and covered bonds which are all central bank eligible securities with characteristics similar to Basel III/CRD IV. The liquidity buffer amounted to EUR 69bn at the end of the fourth quarter (EUR 65bn at the end of the third quarter).

The outstanding volume of short-term debt was at the end of the fourth quarter, was EUR 37bn.

Nordea issued approx. EUR 2.3bn in long-term funding in the fourth quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 1.5bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. A EUR 1bn 7-year covered bond was issued from the newly created Finnish mortgage company Nordea Mortgage Bank.

The market risk on Group Treasury’s interest-rate positions, calculated as average VaR, was EUR 43m in the fourth quarter. The risk related to equities, calculated as VaR, was EUR 3m and the risk related to credit spreads (VaR) was EUR 2m. Interest rate risk decreased significantly, equity risk was largely unchanged and credit spread risk decreased from the third quarter.

Result

Total operating income was EUR 154m in the fourth quarter. Net interest income increased to EUR 132m in the fourth quarter compared to EUR 108m in the previous quarter. The net result from items at fair value was EUR 29m compared to the extraordinary EUR 129m in the third quarter and was mainly related to interest-rate-related items in the liquidity buffer. Operating profit in Q4 was 54m.

Group Corporate Centre

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15
Net interest income	132	108	125	131	102	22%	29%	496	385
Net fee and commission income	-5	-3	-2	-4	-6	80%	-13%	-14	-14
Net result from items at fair value	29	129	46	25	31	-78%	-7%	229	93
Equity method & other income	-2	0	1	1	2			0	18
Total operating income	**154**	**234**	**171**	**153**	**129**	**-34%**	**19%**	**711**	**481**
Staff costs	-72	-69	-77	-68	-60	4%	20%	-286	-237
Other exp. excl. depreciations	-10	27	17	23	29			57	140
Total operating expenses	**-100**	**-59**	**-75**	**-57**	**-45**	**70%**	**123%**	**-291**	**-142**
Profit before loan losses	**54**	**174**	**96**	**95**	**84**	**-69%**	**-35%**	**419**	**337**
Net loan losses	0	0	0	0	0			0	0
Operating profit	**51**	**175**	**97**	**95**	**80**	**-71%**	**-36%**	**418**	**335**
Economic capital (EC)	744	658	1,065	1,065	1,297	13%	-43%	744	1,297
Risk exposure amount (REA)	5,676	5,276	7,735	7,720	8,174	8%	-31%	5,676	8,174
Number of employees (FTEs)	3,423	3,154	2,870	2,646	2,295	9%	49%	3,423	2,295

Number of FTEs restated due to organisational change.

Group functions, Other & Eliminations

EURm	Q416	Q316	Q216	Q116	Q415	Q4/Q3	Q4/Q4	Jan-Dec 16	Jan-Dec 15
Net interest income	24	29	8	6	-8	-17%		67	62
Net fee and commission income	-11	-7	-13	-7	-1	51%		-38	-16
Net result from items at fair value	-3	-39	-3	-6	22	-92%		-51	-12
Equity method & other income	30	-3	158	4	183		-84%	189	214
Total operating income	**40**	**-20**	**149**	**-3**	**196**		**-80%**	**166**	**249**
Staff costs	8	-62	-59	-62	-250			-175	-456
Other exp. excl. depreciations	32	46	52	37	-21	-30%		167	192
Total operating expenses	**16**	**-24**	**-20**	**-36**	**-300**			**-64**	**-326**
Profit before loan losses	**56**	**-44**	**129**	**-39**	**-104**			**102**	**-130**
Net loan losses	-1	0	0	0	0			-1	-4
Operating profit	**58**	**-44**	**128**	**-38**	**-100**			**104**	**-77**
Economic capital (EC)	1,266	1,173	1,179	1,392	1,155	8%	10%	1,266	1,155
Risk exposure amount (REA)	8,404	7,837	7,435	9,251	8,840	7%	-5%	8,404	8,840
Number of employees (FTEs)	2,144	2,092	1,991	1,870	1,717	2%	25%	2,144	1,717

Income statement

EURm	Note	Q4 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Operating Income							
Interest income		*1,905*	*2,046*	*3,822*	*4,132*	*7,747*	*8,549*
interest expense		*-696*	*-843*	*-1,435*	*-1,696*	*-3,020*	*-3,586*
Net interest income		1,209	1,203	2,387	2,436	4,727	4,963
Fee and commission income		*1,082*	*1,035*	*2,105*	*2,019*	*4,098*	*4,092*
Fee and commission expense		*-215*	*-214*	*-443*	*-431*	*-860*	*-862*
Net fee and commission income	3	867	821	1,662	1,588	3,238	3,230
Net result from items at fair value	4	498	421	978	632	1,715	1,645
Profit from associated undertakings and joint ventures accounted for under the equity method		4	3	2	21	112	39
Other operating income		32	197	47	221	135	263
Total operating income		**2,610**	**2,645**	**5,076**	**4,898**	**9,927**	**10,140**
Operating expenses							
General administrative expenses:							
Staff costs		-687	-956	-1,430	-1,712	-2,926	-3,263
Other expenses	5	-475	-455	-864	-758	-1,646	-1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets		-71	-65	-122	-114	-228	-209
Total operating expenses		**-1,233**	**-1,476**	**-2,416**	**-2,584**	**-4,800**	**-4,957**
Profit before loan losses		**1,377**	**1,169**	**2,660**	**2,314**	**5,127**	**5,183**
Net loan losses	6	-129	-142	-264	-254	-502	-479
Operating profit		**1,248**	**1,027**	**2,396**	**2,060**	**4,625**	**4,704**
Income tax expense		-148	-179	-408	-432	-859	-1,042
Net profit for the period		**1,100**	**848**	**1,988**	**1,628**	**3,766**	**3,662**
Attributable to:							
Shareholders of Nordea Bank AB (publ)		1,100	848	1,988	1,628	3,766	3,662
Non-controlling interests		-	-	-	-	-	-
Total		**1,100**	**848**	**1,988**	**1,628**	**3,766**	**3,662**
Basic earnings per share, EUR		0.27	0.21	0.49	0.40	0.93	0.91
Diluted earnings per share, EUR		0.27	0.21	0.49	0.40	0.93	0.91

Statement of comprehensive income

EURm	Q4 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Net profit for the period	**1,100**	**848**	**1,988**	**1,628**	**3,766**	**3,662**
Items that may be reclassified subsequently to the income statement						
Currency translation differences during the period	24	-70	218	-832	438	-544
Hedging of net investments in foreign operations:						
Valuation gains/losses during the period	15	-33	-133	386	-219	308
Tax on valuation gains/losses during the period	-3	7	29	-85	48	-68
Available for sale investments: [1]						
Valuation gains/losses during the period, net of recycling	-5	-30	46	-91	117	-160
Tax on valuation gains/losses during the period	1	8	-11	21	-27	37
Cash flow hedges:						
Valuation gains/losses during the period, net of recycling	3	10	-55	20	-44	84
Tax on valuation gains/losses during the period	-1	-2	12	-5	10	-19
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans	256	392	217	210	-205	483
Tax on remeasurement of defined benefit plans	-57	-87	-48	-45	47	-108
Other comprehensive income, net of tax	**233**	**195**	**275**	**-421**	**165**	**13**
Total comprehensive income	**1,333**	**1,043**	**2,263**	**1,207**	**3,931**	**3,675**
Attributable to:						
Shareholders of Nordea Bank AB (publ)	1,333	1,043	2,263	1,207	3,931	3,675
Non-controlling interests	-	-	-	-	-	-
Total	**1,333**	**1,043**	**2,263**	**1,207**	**3,931**	**3,675**

[1] Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

EURm	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		32,099	35,500
Loans to central banks	7	11,235	13,224
Loans to credit institutions	7	9,026	10,762
Loans to the public	7	317,689	340,920
Interest-bearing securities		87,701	86,535
Financial instruments pledged as collateral		5,108	8,341
Shares		21,524	22,273
Assets in pooled schemes and unit-linked investment contracts		23,102	20,434
Derivatives		69,959	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk		178	151
Investments in associated undertakings and joint ventures		588	515
Intangible assets		3,792	3,208
Properties and equipment		566	557
Investment properties		3,119	3,054
Deferred tax assets		60	76
Current tax assets		288	87
Retirement benefit assets		306	377
Other assets		18,973	18,587
Prepaid expenses and accrued income		1,449	1,526
Assets held for sale	12	8,897	-
Total assets		**615,659**	**646,868**
Liabilities			
Deposits by credit institutions		38,136	44,209
Deposits and borrowings from the public		174,028	189,049
Deposits in pooled schemes and unit-linked investment contracts		23,580	21,088
Liabilities to policyholders		41,210	38,707
Debt securities in issue		191,750	201,937
Derivatives		68,636	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,466	2,594
Current tax liabilities		487	225
Other liabilities		24,413	25,745
Accrued expenses and prepaid income		1,758	1,805
Deferred tax liabilities		830	1,028
Provisions		306	415
Retirement benefit obligations		302	329
Subordinated liabilities		10,459	9,200
Liabilities held for sale	12	4,888	-
Total liabilities		**583,249**	**615,836**
Equity			
Non-controlling interests		1	1
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		-1,023	-1,188
Retained earnings		28,302	27,089
Total equity		**32,410**	**31,032**
Total liabilities and equity		**615,659**	**646,868**
Assets pledged as security for own liabilities		189,441	184,795
Other assets pledged		8,330	9,038
Contingent liabilities		23,089	22,569
Credit commitments [1]		78,005	74,679
Other commitments		1,429	3,323

[1] Including unutilised portion of approved overdraft facilities of EUR 30,703m (31 Dec 2015: EUR 37,961m).

Statement of changes in equity

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)		Other reserves:							
Balance at 1 Jan 2016	**4,050**	**1,080**	**-1,617**	**71**	**-10**	**368**	**27,089**	**31,031**	**1**	**31,032**
Net profit for the period	-	-	-	-	-	-	3,766	3,766	-	3,766
Other comprehensive income, net of tax	-	-	267	-34	90	-158	-	165	-	165
Total comprehensive income	-	-	*267*	*-34*	*90*	*-158*	*3,766*	*3,931*	-	*3,931*
Share-based payments[2]	-	-	-	-	-	-	0	0	-	0
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	-2,584
Disposal of own shares[3]	-	-	-	-	-	-	31	31	-	31
Balance at 31 Dec 2016	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)		Other reserves:							
Balance at 1 Jan 2015	**4,050**	**1,080**	**-1,313**	**6**	**113**	**-7**	**25,906**	**29,835**	**2**	**29,837**
Net profit for the period	-	-	-	-	-	-	3,662	3,662	-	3,662
Other comprehensive income, net of tax	-	-	-304	65	-123	375	-	13	-	13
Total comprehensive income	-	-	*-304*	*65*	*-123*	*375*	*3,662*	*3,675*	-	*3,675*
Share-based payments[2]	-	-	-	-	-	-	2	2	-	2
Dividend for 2014	-	-	-	-	-	-	-2,501	-2,501	-	-2,501
Disposal of own shares[3]	-	-	-	-	-	-	20	20	-	20
Other changes	-	-	-	-	-	-	-	-	-1	-1
Balance at 31 Dec 2015	**4,050**	**1,080**	**-1,617**	**71**	**-10**	**368**	**27,089**	**31,031**	**1**	**31,032**

[1] Total shares registered were 4,050 million (31 Dec 2015: 4,050 million).

[2] The total holding of own shares related to Long Term Incentive Programme (LTIP) is 10.9 million (31 Dec 2015: 11.7 million).

[3] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares at 31 December 2016 was 13.3 million (31 Dec 2015: 18.6 million).

Cash flow statement, condensed

EURm	Jan-Dec 2016	Jan-Dec 2015
Operating activities		
Operating profit	4,625	4,704
Adjustments for items not included in cash flow	3,892	2,824
Income taxes paid	-952	-1,056
Cash flow from operating activities before changes in operating assets and liabilities	7,565	6,472
Changes in operating assets and liabilities	-4,285	-6,276
Cash flow from operating activities	3,280	196
Investing activities		
Sale/acquisition of associated undertakings	-	175
Properties and equipment	-104	-135
Intangible assets	-656	-458
Net investments in debt securities, held to maturity	-360	-139
Other financial fixed assets	186	35
Cash flow from investing activities	-934	-522
Financing activities		
Issued/amortised subordinated liabilities	1,000	735
Divestment/repurchase of own shares incl change in trading portfolio	31	20
Dividend paid	-2,584	-2,501
Cash flow from financing activities	-1,553	-1,746
Cash flow for the period	**793**	**-2,072**
Cash and cash equivalents at beginning of the period	**40,200**	**39,683**
Translation difference	867	2,589
Cash and cash equivalents at end of the period	**41,860**	**40,200**
Change	**793**	**-2,072**

Cash and cash equivalents	31 Dec	31 Dec
The following items are included in cash and cash equivalents (EURm):	2016	2015
Cash and balances with central banks	32,099	35,500
Loans to central banks	8,538	2,684
Loans to credit institutions	1,093	2,016
Assets held for sale	130	-
Total cash and cash equivalents	**41,860**	**40,200**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

The same accounting policies and methods of computation are followed as compared to the Annual Report 2015, for more information see Note G1 in the Annual Report 2015. For changes implemented during 2016, see “Changed accounting policies” below.

Changed accounting policies

The following amendments published by the IASB were implemented 1 January 2016 but have not had any significant impact on Nordea’s financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidated Exception”
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”
- IAS 1 “Disclosure Initiative”
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Annual Improvements to IFRSs, 2012-2014 Cycle

Amendments have in addition been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which have been implemented 1 January 2016. These amendments have not had any significant impact on Nordea’s financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea’s financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing “RFR 1 Supplementary Accounting Rules for Groups – January 2016”. These changes were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea’s financial statements.

Changed presentation of pooled schemes and unit-linked investment contracts

Nordea invests in interest-bearing securities and shares on behalf of customers, in pension pools and unit-linked investment contracts, where the customers bear the investment risk. Such assets have been reclassified to the separate balance sheet line “Assets in pooled schemes and unit-linked investment contracts” in order to disclose them separately from assets for which Nordea bears the investment risk. The corresponding liabilities to customers have been reclassified to the separate balance sheet line “Deposits in pooled schemes and unit-linked investment contracts” following that these liabilities behave differently than the normal deposits received from customers.

The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the income statement or equity.

	31 Dec 2016			31 Dec 2015		
EURm	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy
Assets						
Loans to credit institutions	9,290	-264	9,026	10,959	-197	10,762
Interest-bearing securities	89,375	-1,674	87,701	88,176	-1,641	86,535
Shares	42,543	-21,019	21,524	40,745	-18,472	22,273
Assets in pooled schemes and unit-linked investment contracts	-	23,102	23,102	-	20,434	20,434
Investment properties	3,258	-139	3,119	3,165	-111	3,054
Other assets	18,979	-6	18,973	18,600	-13	18,587
Liabilities						
Deposits and borrowings from the public	178,368	-4,340	174,028	193,342	-4,293	189,049
Deposits in pooled schemes and unit-linked investment contracts	-	23,580	23,580	-	21,088	21,088
Liabilities to policyholders	60,439	-19,229	41,210	55,491	-16,784	38,707
Other liabilities	24,424	-11	24,413	25,756	-11	25,745

Changed presentation of refinancing fees and pay-out fees
Refinancing fees and pay-out fees received in connection with mortgage lending in Denmark have been reclassified from “Net result from items at fair value” to “Net fee and commission income” in the income statement, in order to align with Nordea’s classification policy for loan processing fees. A refinancing fee is charged when an adjustable rate mortgage loan is refinanced, and a pay-out fee when a loan is initially paid out. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of stability fees
Nordea has, in order to align with local market practice, reclassified state guarantee fees from “Net fee and commission income” to “Net interest income”. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

	Q4 2016			Q4 2015			H2 2016			H2 2015			Jan-Dec 2016			Jan-Dec 2015		
EURm	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy
Net interest income	1,242	-33	1,209	1,241	-38	1,203	2,453	-66	2,387	2,513	-77	2,436	4,855	-128	4,727	5,110	-147	4,963
- of which state guarantee fees		*-33*			*-38*			*-66*			*-77*			*-128*			*-147*	
Net fee and commission income	820	47	867	768	53	821	1,568	94	1,662	1,485	103	1,588	3,060	178	3,238	3,025	205	3,230
- of which state guarantee fees		*33*			*38*			*66*			*77*			*128*			*147*	
- of which refinancing/pay-out fees		*14*			*15*			*28*			*26*			*50*			*58*	
Net result from items at fair value	512	-14	498	436	-15	421	1,006	-28	978	658	-26	632	1,765	-50	1,715	1,703	-58	1,645
- of which refinancing/pay-out fees		*-14*			*-15*			*-28*			*-26*			*-50*			*-58*	

Changed presentation of Net fee and commission income
The presentation within Note 3 “Net fee and commission income” has, in addition to the changes described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from ”Custody and issuer services” to ”Brokerage, securities issues and corporate finance” (impact full year 2015 EUR 27m), and commission expenses connected to asset management activities from “Other” to “Asset management commissions” (impact full year 2015 EUR 80m). These reclassifications have been made to better reflect the purpose of services performed/received.

Presentation of disposal groups held for sale
Assets and liabilities held for sale consist of Nordea’s Baltic operations and lending to retail customers in Russia as further described in Note 12 “Disposal groups held for sale”. Assets and liabilities related to the disposal group are presented on the separate balance sheet lines “Assets held for sale” and “Liabilities held for sale” respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

Changes in IFRSs not yet applied

IFRS 9 ”Financial instruments”
IASB has completed the new standard for financial instruments, IFRS 9 “Financial instruments”. IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea does not intend to early adopt the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement
The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

No business model assessment or SPPI analysis has been made for Nordea Life & Pension as Nordea has awaited the IFRS 9 EU endorsement process.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea's balance sheet at transition.

Impairment
The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off-balance sheet exposures or the financial instruments classified into the measurement category AFS.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea has yet to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, Nordea has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. Nordea has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. Nordea has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that is expected to be reduced when provisions are calculated under IFRS 9.

Impairment calculations under IFRS 9 will require more experienced credit judgement by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting
The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on

Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Nordea's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"
The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contribution of assets between an investor and its associate or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"
The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The amendments are expected to be endorsed by the EU-commission in 2017. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

Other amendments to IFRS
Other amendments to IFRS are not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Exchange rates

EUR 1 = SEK	Jan-Dec 2016	Jan-Dec 2015
Income statement (average)	9.4675	9.3537
Balance sheet (at end of period)	9.5525	9.1895
EUR 1 = DKK		
Income statement (average)	7.4453	7.4587
Balance sheet (at end of period)	7.4344	7.4626
EUR 1 = NOK		
Income statement (average)	9.2943	8.9434
Balance sheet (at end of period)	9.0863	9.6030
EUR 1 = RUB		
Income statement (average)	74.1913	67.9657
Balance sheet (at end of period)	64.3000	80.6736

Note 2 Segment reporting

Jan-Dec 2016	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Management	Group Corporate Centre	Other operating segments	Total operating segments	Reconciliation	Total Group
	Operating segments								
Total operating income, EURm	3,440	1,942	2,297	2,015	722	203	10,619	-692	**9,927**
- of which internal transactions [1], EURm	-774	-419	-410	6	1,578	19	0	-	**-**
Operating profit, EURm	1,466	799	1,073	1,204	423	205	5,170	-545	**4,625**
Loans to the public[2], EURbn	149	80	56	11	-	-	296	22	**318**
Deposits and borrowings from the public[2], EURbn	72	39	44	14	-	-	169	5	**174**
Jan-Dec 2015									
Total operating income, EURm	3,509	2,052	2,444	1,924	481	206	10,616	-476	**10,140**
- of which internal transactions [1], EURm	-789	-460	-314	14	1,550	-1	0	-	**-**
Operating profit, EURm	1,441	915	1,336	1,122	332	214	5,360	-656	**4,704**
Loans to the public[2], EURbn	145	80	61	11	-	-	297	44	**341**
Deposits and borrowings from the public[2], EURbn	71	40	47	13	-	-	171	18	**189**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

Breakdown of Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management

	Personal Banking Nordic Jan-Dec 2016	Personal Banking Nordic Jan-Dec 2015	Personal Banking Baltic countries Jan-Dec 2016	Personal Banking Baltic countries Jan-Dec 2015	Personal Banking Other Jan-Dec 2016	Personal Banking Other Jan-Dec 2015	**Personal Banking Jan-Dec 2016**	**Personal Banking Jan-Dec 2015**
Total operating income, EURm	3,765	3,818	209	192	-534	-501	**3,440**	**3,509**
- of which internal transactions, EURm	-646	-708	-27	-28	-101	-53	**-774**	**-789**
Operating profit, EURm	1,672	1,664	97	91	-303	-314	**1,466**	**1,441**
Loans to the public, EURbn	148	144	9	8	-8	-7	**149**	**145**
Deposits and borrowings from the public, EURbn	75	74	5	4	-8	-7	**72**	**71**

	Business Banking Jan-Dec 2016	Business Banking Jan-Dec 2015	Commercial Banking Jan-Dec 2016	Commercial Banking Jan-Dec 2015	Commercial & Business Banking Other Jan-Dec 2016	Commercial & Business Banking Other Jan-Dec 2015	**Commercial & Business Banking Jan-Dec 2016**	**Commercial & Business Banking Jan-Dec 2015**
Total operating income, EURm	1,097	1,159	1,028	1,040	-183	-147	**1,942**	**2,052**
- of which internal transactions, EURm	-306	-335	-123	-121	10	-4	**-419**	**-460**
Operating profit, EURm	422	438	559	592	-182	-115	**799**	**915**
Loans to the public, EURbn	37	37	44	44	-1	-1	**80**	**80**
Deposits and borrowings from the public, EURbn	23	22	19	20	-3	-2	**39**	**40**

Note 2, continued

	Corporate & Institutional Banking Jan-Dec		Shipping, Offshore & Oil Services Jan-Dec		Banking Russia Jan-Dec		Capital Markets unallocated Jan-Dec		Wholesale Banking Other Jan-Dec		**Wholesale Banking Jan-Dec**	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	**2016**	**2015**
Total operating income, EURm	1,421	1,447	354	400	208	233	368	367	-54	-3	**2,297**	**2,444**
- of which internal transactions, EURm	-211	-141	-137	-68	-77	-82	111	58	-96	-81	**-410**	**-314**
Operating profit, EURm	861	863	136	330	119	139	124	117	-167	-113	**1,073**	**1,336**
Loans to the public, EURbn	39	42	13	13	4	6	-	-	-	-	**56**	**61**
Deposits and borrowings from the public, EURbn	37	41	6	5	1	1	-	-	-	-	**44**	**47**

	Private Banking Jan-Dec		Asset Management Jan-Dec		Life & Pension unallocated Jan-Dec		Wealth Management Other Jan-Dec		**Wealth Management Jan-Dec**	
	2016	2015	2016	2015	2016	2015	2016	2015	**2016**	**2015**
Total operating income, EURm	841	861	861	769	633	593	-320	-299	**2,015**	**1,924**
- of which internal transactions, EURm	4	14	1	0	0	0	1	0	**6**	**14**
Operating profit, EURm	425	452	610	529	452	410	-283	-269	**1,204**	**1,122**
Loans to the public, EURbn	11	11	-	-	-	-	-	-	**11**	**11**
Deposits and borrowings from the public, EURbn	14	13	-	-	-	-	-	-	**14**	**13**

Reconciliation between total operating segments and financial statements

	Operating profit, EURm Jan-Dec		Loans to the public, EURbn Jan-Dec		Deposits and borrowings from the public, EURbn Jan-Dec	
	2016	2015	2016	2015	2016	2015
Total operating segments	5,170	5,360	296	297	169	171
Group functions [1]	-85	-30	-	-	-	-
Unallocated items[2]	-1	-243	33	46	12	19
Differences in accounting policies[3]	-459	-383	-11	-2	-7	-1
Total	**4,625**	**4,704**	**318**	**341**	**174**	**189**

[1] Consists of Group Risk Management, Group Internal Audit, Chief of staff office, Group Finance and Business Control and Group Compliance.
[2] Including non-recurring items 2015 EUR -263m.
[3] Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business areas" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Financial results are presented for the main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with a further breakdown on operating segments, and the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Changes in basis of segmentation

During the fourth quarter changes to the basis of segmentation were made following the decision to divide Retail Banking into two business areas, Personal Banking and Commercial & Business Banking. The business area Personal Banking includes the household customers formerly included in Retail Banking and the Business area Commercial & Business Banking includes the corporate customers formerly included in Retail Banking. As from the fourth quarter the new business areas are included in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note 2. The new business areas are further broken down on operating segments. Comparative figures have been restated accordingly.

Note 3 Net fee and commission income

EURm	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Asset management commissions	365	350	327	715	635	1,369	1,261
Life & Pensions	88	76	80	164	146	306	299
Deposit Products	8	7	7	15	15	30	31
Brokerage, securities issues and corporate finance	69	53	55	122	95	226	225
Custody and issuer services	18	13	16	31	28	59	55
Payments	83	70	74	153	151	297	307
Cards	54	59	63	113	134	226	271
Lending Products	133	129	140	262	269	531	548
Guarantees	39	40	41	79	84	161	177
Other	10	-2	18	8	31	33	56
Total	**867**	**795**	**821**	**1,662**	**1,588**	**3,238**	**3,230**

Note 4 Net result from items at fair value

EURm	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Equity related instruments	-291	62	40	-229	103	-141	271
Interest related instruments and foreign exchange gains/losses	1,029	354	309	1,383	393	1,833	1,077
Other financial instruments (including credit and commodities)	-309	9	6	-300	12	-251	56
Investment properties	-1	0	-2	-1	-1	-1	-4
Life insurance [1]	70	55	68	125	125	275	245
Total	**498**	**480**	**421**	**978**	**632**	**1,715**	**1,645**

[1] Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

Break-down of life insurance

EURm	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Equity related instruments	1,027	458	1,945	1,485	-30	1,338	893
Interest related instruments and foreign exchange gains/losses	-364	276	-1,254	-88	141	970	-148
Investment properties	68	43	58	111	88	221	150
Change in technical provisions [1]	-532	-743	-463	-1,275	-240	-2,491	-529
Change in collective bonus potential	-170	8	-216	-162	148	177	-169
Insurance risk income	45	41	52	86	106	168	213
Insurance risk expense	-4	-28	-54	-32	-88	-108	-165
Total	**70**	**55**	**68**	**125**	**125**	**275**	**245**

[1] Premium income amounts to EUR 635m for Q4 2016 and EUR 2,571m for Jan-Dec 2016 (Q4 2015: EUR 686m, Jan-Dec 2015: EUR 2,500m).

Note 5 Other expenses

EURm	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Information technology	-165	-142	-130	-307	-244	-573	-485
Marketing and representation	-33	-13	-26	-46	-41	-79	-84
Postage, transportation, telephone and office expenses	-33	-28	-37	-61	-69	-125	-145
Rents, premises and real estate	-79	-75	-131	-154	-206	-309	-373
Other	-165	-131	-131	-296	-198	-560	-398
Total	**-475**	**-389**	**-455**	**-864**	**-758**	**-1,646**	**-1,485**

Note 6 Net loan losses

EURm	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Loan losses divided by class							
Recoveries on previous realised loan losses	-	-	-	-	-	-	0
Provisions	-1	0	0	-1	-1	-1	0
Reversal of previous provisions	1	0	0	1	1	1	1
Loans to credit institutions	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Realised loan losses	-231	-119	-129	-350	-270	-600	-605
Allowances to cover realised loan losses	193	91	82	284	190	474	448
Recoveries on previous realised loan losses	21	12	17	33	37	57	63
Provisions	-275	-293	-420	-568	-639	-1,056	-1,074
Reversal of previous provisions	165	174	278	339	399	639	693
Loans to the public	**-127**	**-135**	**-172**	**-262**	**-283**	**-486**	**-475**
Realised loan losses	-3	-2	-2	-5	-5	-9	-11
Allowances to cover realised loan losses	3	2	2	5	5	9	11
Provisions	-23	-21	-19	-44	-36	-96	-104
Reversal of previous provisions	21	21	49	42	65	80	99
Off-balance sheet items	**-2**	**0**	**30**	**-2**	**29**	**-16**	**-5**
Net loan losses	**-129**	**-135**	**-142**	**-264**	**-254**	**-502**	**-479**

Key ratios

	Q4 2016	Q3 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Loan loss ratio, basis points	16	16	17	16	15	15	14
- of which individual	15	7	16	11	14	12	13
- of which collective	1	9	1	5	1	3	1

Note 7 Loans and impairment

EURm	Total 31 Dec 2016	30 Sep 2016	31 Dec 2015
Loans, not impaired	334,826	345,985	361,610
Impaired loans	5,550	5,734	5,960
- of which servicing	3,244	3,492	3,682
- of which non-servicing	2,306	2,242	2,278
Loans before allowances	**340,376**	**351,719**	**367,570**
Allowances for individually assessed impaired loans	-1,913	-1,989	-2,213
- of which servicing	-1,054	-1,210	-1,289
- of which non-servicing	-859	-779	-924
Allowances for collectively assessed impaired loans	-513	-520	-451
Allowances	**-2,426**	**-2,509**	**-2,664**
Loans, carrying amount	**337,950**	**349,210**	**364,906**

	Central banks and credit institutions			The public		
EURm	31 Dec 2016	30 Sep 2016	31 Dec 2015	31 Dec 2016	30 Sep 2016	31 Dec 2015
Loans, not impaired	20,254	23,611	23,988	314,572	322,374	337,622
Impaired loans	9	6	-	5,541	5,728	5,960
- of which servicing	9	6	-	3,235	3,486	3,682
- of which non-servicing	-	-	-	2,306	2,242	2,278
Loans before allowances	**20,263**	**23,617**	**23,988**	**320,113**	**328,102**	**343,582**
Allowances for individually assessed impaired loans	0	0	-	-1,913	-1,989	-2,213
- of which servicing	0	0	-	-1,054	-1,210	-1,289
- of which non-servicing	-	-	-	-859	-779	-924
Allowances for collectively assessed impaired loans	-2	-2	-2	-511	-518	-449
Allowances	**-2**	**-2**	**-2**	**-2,424**	**-2,507**	**-2,662**
Loans, carrying amount	**20,261**	**23,615**	**23,986**	**317,689**	**325,595**	**340,920**

Allowances and provisions

EURm	31 Dec 2016	30 Sep 2016	31 Dec 2015
Allowances for items on the balance sheet	-2,426	-2,509	-2,664
Provisions for off balance sheet items	-71	-74	-65
Total allowances and provisions	**-2,497**	**-2,583**	**-2,729**

Key ratios

	31 Dec 2016	30 Sep 2016	31 Dec 2015
Impairment rate, gross, basis points	163	163	162
Impairment rate, net, basis points	107	106	102
Total allowance rate, basis points	71	71	72
Allowances in relation to impaired loans, %	34	35	37
Total allowances in relation to impaired loans, %	44	44	45
Non-servicing, not impaired, EURm	248	372	485

Note 8 Classification of financial instruments

EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	32,099	-	-	-	-	-	32,099
Loans to central banks	11,135	-	100	-	-	-	11,235
Loans to credit institutions	6,371	-	2,655	-	-	-	9,026
Loans to the public	241,341	-	23,712	52,636	-	-	317,689
Interest-bearing securities	-	3,095	34,842	17,469	-	32,295	87,701
Financial instruments pledged as collateral	-	-	5,108	-	-	-	5,108
Shares	-	-	1,904	19,620	-	-	21,524
Assets in pooled schemes and unit-linked investment contracts	-	-	-	22,963	-	-	22,963
Derivatives	-	-	67,438	-	2,521	-	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	-	-	-	-	-	178
Other assets	2,833	-	15,153	-	-	-	17,986
Prepaid expenses and accrued income	966	-	-	-	-	-	966
Total 31 Dec 2016	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**596,434**
Total 31 Dec 2015	306,798	2,708	171,339	119,012	3,147	34,116	673,120

EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities					
Deposits by credit institutions	8,145	53	-	29,938	38,136
Deposits and borrowings from the public	5,985	2,022	-	166,021	174,028
Deposits in pooled schemes and unit-linked investment contracts	-	23,580	-	-	23,580
Liabilities to policyholders, investment contracts	-	3,527	-	-	3,527
Debt securities in issue	6,340	48,849	-	136,561	191,750
Derivatives	66,995	-	1,641	-	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	2,466	2,466
Other liabilities	17,721	-	-	4,678	22,399
Accrued expenses and prepaid income	-	-	-	290	290
Subordinated liabilities	-	-	-	10,459	10,459
Total 31 Dec 2016	**105,186**	**78,031**	**1,641**	**350,413**	**535,271**
Total 31 Dec 2015	121,595	86,521	1,618	364,556	574,290

Note 9 Fair value of financial assets and liabilities

EURm	31 Dec 2016 Carrying amount	31 Dec 2016 Fair value	31 Dec 2015 Carrying amount	31 Dec 2015 Fair value
Financial assets				
Cash and balances with central banks	32,099	32,099	35,500	35,500
Loans	338,128	337,442	365,057	366,401
Interest-bearing securities	87,701	87,892	86,535	86,750
Financial instruments pledged as collateral	5,108	5,108	8,341	8,341
Shares	21,524	21,524	22,273	22,273
Assets in pooled schemes and unit-linked investment contracts	22,963	22,963	20,323	20,323
Derivatives	69,959	69,959	80,741	80,741
Other assets	17,986	17,986	17,382	17,382
Prepaid expenses and accrued income	966	966	968	968
Total	**596,434**	**595,939**	**637,120**	**638,679**

EURm	31 Dec 2016 Carrying amount	31 Dec 2016 Fair value	31 Dec 2015 Carrying amount	31 Dec 2015 Fair value
Financial liabilities				
Deposits and debt instruments	416,839	417,528	446,989	446,874
Deposits in pooled schemes and unit-linked investment contracts	3,527	3,527	21,088	21,088
Liabilities to policyholders	23,580	23,580	2,761	2,761
Derivatives	68,636	68,636	79,505	79,505
Other liabilities	22,399	22,399	23,606	23,606
Accrued expenses and prepaid income	290	290	341	341
Total	**535,271**	**535,960**	**574,290**	**574,175**

The determination of fair value is described in the Annual report 2015, Note G39 "Assets and liabilities at fair value". The fair value has for loans been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

Note 10 Financial assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instrument (Level 1)	*Of which Life*	Valuation technique using observable data (Level 2)	*Of which Life*	Valuation technique using non-observable data (Level 3)	*Of which Life*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	100	-	-	-	100
Loans to credit institutions	-	-	2,655	-	-	-	2,655
Loans to the public	-	-	76,348	-	-	-	76,348
Interest-bearing securities[2]	51,384	*12,376*	38,120	*6,231*	210	*38*	89,714
Shares	17,278	*15,904*	461	*431*	3,785	*3,185*	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	*17,409*	1,633	*1,633*	16	*16*	22,963
Derivatives	69	-	68,207	*807*	1,683	-	69,959
Other assets	-	-	15,153	*83*	-	-	15,153
Total 31 Dec 2016	**90,045**	***45,689***	**202,677**	***9,185***	**5,694**	***3,239***	**298,416**
Total 31 Dec 2015	83,348	*39,743*	237,483	*8,490*	6,783	*4,257*	327,614
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	8,198	*996*	-	-	8,198
Deposits and borrowings from the public	-	-	8,007	-	-	-	8,007
Deposits in pooled schemes and unit-linked investment contracts	-	-	23,580	*19,240*	-	-	23,580
Liabilities to policyholders	-	-	3,527	*3,527*	-	-	3,527
Debt securities in issue[3]	48,849	-	6,340	-	-	-	55,189
Derivatives[3]	95	8	67,258	*805*	1,283	-	68,636
Other liabilities	6,473	-	11,248	*83*	-	-	17,721
Total 31 Dec 2016	**55,417**	***8***	**128,158**	***24,651***	**1,283**	**-**	**184,858**
Total 31 Dec 2015	53,380	-	154,830	*21,059*	1,524	-	209,734

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

[2] Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.

[3] For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as “Debt securities in issue” and the embedded derivative on the balance sheet as “Derivatives”. The total fair value of the structured bonds is EUR 6,371m (EUR 6,825m), of which EUR 6,404m (EUR 6,881m) is categorised into Level 2 and a net negative fair value of EUR 33m (net positive fair value of EUR 56m) into Level 3 in the fair value hierarchy.

Determination of fair values for items measured at fair value on the balance sheet

For information about valuation techniques and inputs used in the fair value measurement, see the Annual report 2015, Note G39 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 674m from Level 1 to Level 2 and EUR 191m from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 36m and derivative liabilities of EUR 44m from Level 2 to Level 1.

The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10, continued

Movements in Level 3

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Un-realised	Purchases/ Issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Transla-tion diffe-rences	31 Dec
Intererest-bearing securities	250	1	-18	4	-5	-1	1	-21	-1	210
- of which Life	*45*	-	*-2*	-	*-3*	-	-	-	*-2*	*38*
Shares	4,854	67	-52	2,799	-1,793	-80	541	-2,565	14	3,785
- of which Life	*4,188*	*9*	*-54*	*2,703*	*-1,573*	*-78*	*541*	*-2,565*	*14*	*3,185*
Assets in pooled schemes and unit-linked investment contracts	24	-	-1	-	-7	-	-	-	-	16
- of which Life	*24*	-	*-1*	-	*-7*	-	-	-	-	*16*
Derivatives (net)	131	32	133	-	-	-32	8	127	1	400
Total 2016, net	**5,259**	**100**	**62**	**2,803**	**-1,805**	**-113**	**550**	**-2,459**	**14**	**4,411**
Total 2015, net	5,577	345	39	4,542	-5,132	-96	472	-468	-20	5,259

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2015 Note G39 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2015 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

EURm	2016	2015
Opening balance at 1 Jan	34	36
Deferred profit on new transactions	19	9
Recognised in the income statement during the period[1]	-30	-11
Closing balance at 31 Dec	**23**	**34**

[1] Of which EUR -14m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

Note 10, continued

Valuation techniques and inputs used in the fair value measurements in Level 3

EURm	Fair value	*Of which Life*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	-	Discounted cash flows	Credit spread	-2/2
Corporates	39	*38*	Discounted cash flows	Credit spread	-2/2
Total 31 Dec 2016	**210**	***38***			**-4/4**
Total 31 Dec 2015	250	*45*			-8/8
Shares					
Private equity funds	1,955	*1,729*	Net asset value[3]		-230/230
Hedge funds	390	*311*	Net asset value[3]		-32/32
Credit funds	1,224	*1,047*	Net asset value/market consensus[3]		-77/77
Other funds	99	*64*	Net asset value/Fund prices[3]		-13/13
Other[5]	133	*50*	-		-11/11
Total 31 Dec 2016	**3,801**	***3,201***			**-363/363**
Total 31 Dec 2015	4,878	*4,212*			-504/530
Derivatives, net					
Interest rate derivatives	332	-	Option model	Correlations	-20/17
				Volatilities	
Equity derivatives	74	-	Option model	Correlations	-18/11
				Volatilities	
				Dividends	
Foreign exchange derivatives	-6	-	Option model	Correlations	-0/0
				Volatilities	
Credit derivatives	-32	-	Credit derivative model	Correlations	-13/10
				Volatilities	
				Recovery rates	
Other	32	-	Option model	Correlations	-0/0
				Volatilities	
Total 31 Dec 2016	**400**	**-**			**-51/38**
Total 31 Dec 2015	131	-			-60/44

[1] Investments in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investments contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

[2] Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

[3] The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.

[4] The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2015, Note G39 "Assets and liabilities at fair value".

[5] Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

Note 11 Capital Adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12

Summary of items included in own funds

EURm	**31 Dec[3] 2016**	**31 Dec[3] 2015**
Calculation of own funds		
Equity in the consolidated situation	31,533	29,959
Proposed/actual dividend	-2,625	-2,584
Common Equity Tier 1 capital before regulatory adjustments	28,908	27,375
Deferred tax assets		
Intangible assets	-3,435	-2,866
IRB provisions shortfall (-)	-212	-296
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities[1]	-240	-296
Other items, net	-483	-342
Total regulatory adjustments to Common Equity Tier 1 capital	-4,370	-3,800
Common Equity Tier 1 capital (net after deduction)	**24,538**	**23,575**
Additional Tier 1 capital before regulatory adjustments	3,042	2,968
Total regulatory adjustments to Additional Tier 1 capital	-25	-27
Additional Tier 1 capital	3,017	2,941
Tier 1 capital (net after deduction)	**27,555**	**26,516**
Tier 2 capital before regulatory adjustments	6,541	5,940
IRB provisions excess (+)	78	
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,205	-1,501
Pension assets in excess of related liabilities		
Other items, net	-65	-55
Total regulatory adjustments to Tier 2 capital	-1,192	-1,556
Tier 2 capital	5,349	4,384
Own funds (net after deduction)[2]	**32,904**	**30,900**

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 33,038m by 31 Dec 2016.
[3] Including profit of the period.

Own Funds, excluding profit

EURm	**31 Dec 2016**	**31 Dec 2015**
Common Equity Tier 1 capital, excluding profit	23,167	22,802
Total Own Funds, excluding profit	31,533	30,127

Note 11, continued

Minimum capital requirement and REA

EURm	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA
Credit risk	**8,601**	**107,512**	**9,358**	**116,978**
- of which counterparty credit risk	759	9,489	761	9,510
IRB	7,517	93,958	8,297	103,717
- corporate	4,977	*62,212*	*5,630*	*70,371*
- advanced	3,887	*48,585*	*4,497*	*56,211*
- foundation	1,090	13,627	1,133	14,160
- institutions	572	7,144	682	8,526
- retail	*1,755*	*21,933*	*1,802*	*22,520*
- secured by immovable property collateral	1,001	*12,505*	*1,016*	*12,702*
- other retail	754	9,428	786	9,818
- items representing securitisation positions	66	828		
- other	147	1,841	183	2,300
Standardised	1,084	13,554	1,061	13,261
- central governments or central banks	26	320	40	504
- regional governments or local authorities	21	266	19	237
- public sector entities	3	39	3	32
- multilateral development banks	2	32	0	0
- international organisations				
- institutions	40	498	23	282
- corporate	173	2,159	169	2,109
- retail	258	3,223	251	3,137
- secured by mortgages on immovable properties	229	2,863	231	2,887
- in default	9	114	9	119
- associated with particularly high risk	56	701	59	741
- covered bonds				
- institutions and corporates with a short-term credit assessment				
- collective investments undertakings (CIU)				
- equity	221	2,760	209	2,617
- other items	46	579	48	596
Credit Value Adjustment Risk	**144**	**1,798**	**140**	**1,751**
Market risk	**358**	**4,474**	**522**	**6,534**
- trading book, Internal Approach	236	2,942	239	2,990
- trading book, Standardised Approach	74	928	96	1,209
- banking book, Standardised Approach	48	604	187	2,335
Operational risk	**1,350**	**16,873**	**1,363**	**17,031**
Standardised	1,350	16,873	1,363	17,031
Additional risk exposure amount due to Article 3 CRR	**200**	**2,500**	**80**	**1,000**
Sub total	**10,653**	**133,157**	**11,463**	**143,294**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,612	82,655	6,283	78,533
Total	**17,265**	**215,812**	**17,746**	**221,827**

Note 11, continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight:
Corporate, foundation IRB:	14,333	4,840	29,806	938	45.7
of which					
- rating grades 6	2,004	415	5,934	89	16.1
- rating grades 5	3,916	1,164	8,547	263	30.4
- rating grades 4	5,009	1,909	11,097	435	57.5
- rating grades 3	1,784	856	2,638	124	87.6
- rating grades 2	467	112	606	3	156.3
- rating grades 1	57	27	78	0	200.9
- unrated	598	283	270	12	102.8
- defaulted	498	74	636	12	
Corporate, advanced IRB:	102,656	64,979	133,378	33,906	36.4
of which					
- rating grades 6	14,040	6,668	16,890	3,650	8.8
- rating grades 5	24,381	25,304	38,006	13,656	22.2
- rating grades 4	44,589	26,244	56,956	13,558	36.9
- rating grades 3	10,386	4,474	12,009	2,152	55.6
- rating grades 2	3,747	883	4,041	449	100.1
- rating grades 1	648	229	659	111	135.7
- unrated	814	563	962	327	62.0
- defaulted	4,051	614	3,855	3	141.1
Institutions, foundation IRB:	30,609	2,827	37,861	960	18.9
of which					
- rating grades 6	12,670	628	14,444	413	8.1
- rating grades 5	17,504	967	21,435	258	21.4
- rating grades 4	255	718	1,656	141	56.4
- rating grades 3	109	328	205	108	131.9
- rating grades 2	30	52	36	13	212.2
- rating grades 1	0	3	2	1	269.6
- unrated	41	131	83	26	137.7
- defaulted	0		0		
Retail, of which secured by real estate:	139,919	8,768	145,399	5,480	8.6
of which					
- scoring grades A	91,653	7,025	96,172	4,520	3.5
- scoring grades B	28,970	1,058	29,610	641	8.0
- scoring grades C	12,061	339	12,228	167	16.2
- scoring grades D	3,585	194	3,676	90	31.1
- scoring grades E	1,407	126	1,456	50	65.8
- scoring grades F	776	18	784	7	90.3
- not scored	28	2	29	1	30.3
- defaulted	1,439	6	1,444	4	137.8
Retail, of which other retail:	25,119	12,610	31,951	8,033	29.5
of which					
- scoring grades A	7,289	6,956	11,561	4,444	9.1
- scoring grades B	5,986	2,885	7,540	1,838	19.1
- scoring grades C	3,912	1,392	4,479	913	30.9
- scoring grades D	2,800	724	3,045	470	37.1
- scoring grades E	2,477	293	2,595	192	39.9
- scoring grades F	1,733	122	1,726	75	54.1
- not scored	81	113	114	30	44.3
- defaulted	841	125	891	71	270.1
Other non credit-obligation assets:	2,118	28	1,841	8	100.0

Nordea does not have the following IRB exposure classes: equity exposures, central governments and central banks, qualifying revolving retail.

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing.

Note 11, continued

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers: CCoB	CCyB	SII	SRB	Capital Buffers total[1]	Total
Common Equity Tier 1 capital	4.5	2.5	0.5	2.0	3.0	6.0	**10.5**
Tier 1 capital	6	2.5	0.5	2.0	3.0	6.0	**12.0**
Own funds	8	2.5	0.5	2.0	3.0	6.0	**14.0**
EURm							
Common Equity Tier 1 capital	5,992	3,329	711		3,995	8,034	14,026
Tier 1 capital	7,989	3,329	711		3,995	8,034	16,024
Own funds	10,653	3,329	711		3,995	8,034	18,687

[1] Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	31 Dec[1] 2016	31 Dec[1] 2015
Common Equity Tier 1 capital	13.9	12.0

[1] Including profit for the period.

Capital ratios

Percentage	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital ratio, including profit	18.4	16.5
Tier 1 capital ratio, including profit	20.7	18.5
Total capital ratio, including profit	24.7	21.6
Common Equity Tier 1 capital ratio, excluding profit	17.4	15.9
Tier 1 capital ratio, excluding profit	19.7	18.0
Total capital ratio, excluding profit	23.7	21.0

Capital ratios including Basel I floor

Percentage	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital ratio, including profit	11.5	10.8
Tier 1 capital ratio, including profit	12.9	12.1
Total capital ratio, including profit	15.3	14.1
Common Equity Tier 1 capital ratio, excluding profit	10.8	10.4
Tier 1 capital ratio, excluding profit	12.2	11.7
Total capital ratio, excluding profit	14.7	13.7

Leverage Ratio	31 Dec[1] 2016	31 Dec[1] 2015
Tier 1 capital, transitional definition, EURm	27,555	26,516
Leverage ratio exposure, EURm	555,688	576,317
Leverage ratio, percentage	5.0	4.6

[1] Including profit of the period.

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	884	71	780	62			1,664	133
Equity risk	239	19	120	10			359	29
Foreign exchange risk	266	22			604	48	870	70
Commodity risk			28	2			28	2
Settlement risk			0	0			0	0
Diversification effect	-557	-45					-557	-45
Stressed Value-at-Risk	950	76					950	76
Incremental Risk Measure	346	28					346	28
Comprehensive Risk	814	65					814	65
Total	2,942	236	928	74	604	48	4,474	358

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Note 12 Disposal group held for sale

Balance sheet - Condensed [1]

EURm	31 Dec 2016
Assets	
Loans to credit institutions	34
Loans to the public	8,556
Other assets	307
Total assets held for sale	**8,897**
Liabilities	
Deposits by credit institutions	22
Deposits and borrowings from the public	4,776
Other liabilities	90
Total liabilities held for sale	**4,888**

[1] Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale mainly relate to Nordea’s earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised from Nordea’s balance sheet, and an investment in an associated company will be recognised, at closing. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals. The disposal group is included in the segment "Personal Banking" in Note 2 “Segment reporting”. Assets held for sale also includes Nordea’s lending to retail customers in Russia, carrying amount EUR 228m. The lending portfolio has been sold and derecognised in 2017.

Note 13 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes are regularly conducting investigations with regards to Nordea's regulatory compliance, including the compliance with antimony laundering (AML) and economic sanction requirements.

The supervisory authorities have during 2016 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, external tax rules, competition law and governance and control. The Nordea Group is also responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008-2013. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

In connection with the Panama Papers in April 2016 the Group CEO initiated an internal investigation to assess whether the business activities in the relevant part of our Private Banking operations are in line with internal policies as well as external tax rules and anti-money laundering regulations. The investigation found that many of the reviewed KYC files fall clearly below the standards set forth in the Group's policy. This is mainly related to the so-called enhanced due diligence (EDD) required for high-risk customers.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and have strengthened the organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation programme to embed stronger ethical standards into our corporate culture. In addition the group is investing in enhanced compliance standards, processes and resources in both first and second line of defense.

Business definitions

Return on equity
Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

Total shareholders return (TSR)
Total shareholders return measured as growth in the value of a shareholding during the year, assuming the dividends are reinvested at the time of the payment to purchase additional shares.

Risk-adjusted profit
Risk-adjusted profit is defined as total income minus total operating expenses, minus Expected losses and standard tax. In addition, Risk-adjusted profit excludes major non-recurring items.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the Common equity tier 1 capital and Additional Tier 1 capital of the institution. Common equity tier 1 capital includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount. The Common equity tier 1 capital ratio is calculated as Common equity tier 1 capital as a percentage of risk exposure amount.

Loan loss ratio
Net loan losses (annualised) divided by quarterly closing balance of loans to the public (lending).

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

Total allowance rate
Total allowances divided by total loans before allowances.

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio)
Total allowances divided by total impaired loans before allowances.

Non-servicing, not impaired
Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Expected losses
Expected losses reflect the normalised loss level of the individual loan exposure over a business cycle as well as various portfolios.

Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR
ROCAR, % (Return on Capital at Risk) is defined as Net profit excl non-recurring items in percentage of Economic capital. For Business areas it is defined as Operating profit after standard tax in percentage of Economic capital.

For a list of further business definitions, see the Annual Report.

Nordea Bank AB (publ)

Income statement

EURm	Q4 2016	Q4 2015	H2 2016	H2 2015	Jan-Dec 2016	Jan-Dec 2015
Operating Income						
Interest income	*350*	*378*	*685*	*762*	*1,403*	*1,607*
interest expense	*-227*	*-267*	*-451*	*-537*	*-939*	*-1,096*
Net interest income	123	111	234	225	464	511
Fee and commission income	*249*	*285*	*463*	*533*	*978*	*1,094*
Fee and commission expense	*-34*	*-49*	*-71*	*-102*	*-138*	*-208*
Net fee and commission income	215	236	392	431	840	886
Net result from items at fair value	31	27	126	62	216	136
Dividends	2,259	1,915	2,659	1,915	3,210	2,176
Other operating income	201	346	360	512	712	833
Total operating income	**2,829**	**2,635**	**3,771**	**3,145**	**5,442**	**4,542**
Operating expenses						
General administrative expenses:						
Staff costs	-248	-366	-460	-636	-1,113	-1,196
Other expenses	-300	-250	-539	-438	-1,008	-851
Depreciation, amortisation and impairment charges of tangible and intangible assets	-50	-43	-97	-78	-172	-140
Total operating expenses	**-598**	**-659**	**-1,096**	**-1,152**	**-2,293**	**-2,187**
Profit before loan losses	**2,231**	**1,976**	**2,675**	**1,993**	**3,149**	**2,355**
Net loan losses	-84	-51	-99	-116	-193	-143
Impairment of securities held as financial non-current assets	-6	-9	-6	-9	-6	-9
Operating profit	**2,141**	**1,916**	**2,570**	**1,868**	**2,950**	**2,203**
Appropriations	1	2	1	2	1	2
Income tax expense[1]	-121	-107	-90	-191	-51	-285
Net profit for period	**2,021**	**1,811**	**2,481**	**1,679**	**2,900**	**1,920**

[1] Includes an adjustment related to prior years amounting to EUR 94m in Q2 2015.

Nordea Bank AB (publ)

Balance sheet

EURm	31 Dec 2016	31 Dec 2015
Assets		
Cash and balances with central banks	101	75
Treasury bills	6,583	6,905
Loans to credit institutions	88,375	90,009
Loans to the public	43,726	45,820
Interest-bearing securities	10,359	12,163
Shares	130	2,362
Derivatives	4,668	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	1
Investments in group undertakings	20,101	19,394
Investments in associated undertakings	12	7
Participating interest in other companies	1	1
Intangible assets	1,539	1,091
Properties and equipment	132	138
Deferred tax assets	22	26
Current tax assets	204	3
Other assets	4,560	4,387
Prepaid expenses and accrued income	749	780
Total assets	**181,262**	**188,173**
Liabilities		
Deposits by credit institutions	20,374	19,069
Deposits and borrowings from the public	58,183	61,043
Debt securities in issue	63,162	68,908
Derivatives	3,612	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,008	1,158
Current tax liabilities	0	34
Other liabilities	3,279	3,531
Accrued expenses and prepaid income	670	759
Provisions	307	301
Retirement benefit obligations	169	159
Subordinated liabilities	10,086	8,951
Total liabilities	**160,850**	**168,093**
Untaxed reserves	**2**	**2**
Equity		
Share capital	4,050	4,050
Development cost reserve	569	-
Share premium reserve	1,080	1,080
Other reserves	-2	-21
Retained earnings	14,713	14,969
Total equity	**20,410**	**20,078**
Total liabilities and equity	**181,262**	**188,173**
Assets pledged as security for own liabilities	1,080	1,208
Other assets pledged	11,750	7,686
Contingent liabilities	71,965	72,402
Credit commitments [1]	26,993	27,927

[1] Including unutilised portion of approved overdraft facilities of EUR 15,890m (31 Dec 2015: EUR 16,658m).

Nordea Bank AB (publ)

Note 1 Accounting policies

The interim financial statements for the parent company, Nordea Bank AB (publ) are presented in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation for legal entities (RFR 2) issued by the Swedish Financial Reporting Board.

This means that the same accounting policies and methods for computation are followed as compared with the Annual Report 2015, for more information see Note P1 in the Annual Report 2015. For changed accounting policies implemented during 2016, see “Changed accounting policies” below.

Changed accounting policies and presentation

The IASB has issued “Amendments to IAS 27, Equity method in Separate Financial Statements” which allows the equity method when accounting for investments in group undertakings, joint ventures and associated undertakings. Equity method accounting for investments in group undertakings is however not allowed under the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). The amendments were implemented 1 January 2016 but have not had any impact on the financial statements, capital adequacy or large exposures in the period of initial application.

Amendments have in addition been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2016. In accordance with the new requirements, investments where the intention is to create a long term relationship with the other company, without meeting the requirements for a group undertaking or an associated undertaking, have been presented separately on the balance sheet as “Participating interest in other companies”. An amount equal to the cost for own development work (recognised as an intangible asset on the parent company’s balance sheet) has furthermore been presented separately within equity as “Development cost reserve”. The amendments have not had any other significant impact on the financial statements.
The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing “RFR 2 Accounting for Legal Entities – January 2016”. These amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

Other changes implemented by 1 January 2016 can be found in the section “Changed accounting policies” in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. Regarding the changed presentation of stability fees the comparable figures have been restated and the impact on the current and comparative periods for the parent company can be found in the below table.

	Q4 2016			Q4 2015			H2 2016			H2 2015			Jan-Dec 2016			Jan-Dec 2015		
EURm	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy	Old policy	Restate-ment	New policy
Net interest income	137	-14	123	127	-16	111	259	-25	234	258	-33	225	504	-40	464	576	-65	511
Net fee and commission income	201	14	215	220	16	236	367	25	392	398	33	431	800	40	840	821	65	886

Changes in IFRSs not yet applied

Other, forthcoming changes in IFRS not yet implemented can be found in the section “Changes in IFRSs not yet applied” in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company.

Nordea Bank AB (publ)

Note 2 Capital Adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12

Summary of items included in own funds

EURm	31 Dec[3] 2016	31 Dec[3] 2015
Calculation of own funds		
Equity in the consolidated situation	20,411	20,079
Proposed/actual dividend	-2,625	-2,584
Common Equity Tier 1 capital before regulatory adjustments	17,786	17,495
Deferred tax assets		
Intangible assets	-1,539	-1,091
IRB provisions shortfall (-)		
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities[1]		
Other items, net	-97	-31
Total regulatory adjustments to Common Equity Tier 1 capital	-1,636	-1,122
Common Equity Tier 1 capital (net after deduction)	**16,150**	**16,373**
Additional Tier 1 capital before regulatory adjustments	3,047	2,971
Total regulatory adjustments to Additional Tier 1 capital	-30	-30
Additional Tier 1 capital	3,017	2,941
Tier 1 capital (net after deduction)	**19,167**	**19,314**
Tier 2 capital before regulatory adjustments	6,277	5,686
IRB provisions excess (+)	134	108
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,205	-1,501
Pension assets in excess of related liabilities		
Other items, net	-69	-58
Total regulatory adjustments to Tier 2 capital	-1,140	-1,451
Tier 2 capital	5,137	4,235
Own funds (net after deduction)[2]	**24,304**	**23,549**

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 24,170m by 31 Dec 2016.
[3] Including profit of the period.

Own Funds, excluding profit

EURm	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital, excluding profit	15,879	17,025
Total Own Funds, excluding profit	24,033	24,201

Note 2, continued

Minimum capital requirement and REA

EURm	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA
Credit risk	**6,120**	**76,502**	**6,346**	**79,328**
- of which counterparty credit risk	266	3,329	133	1,660
IRB	2,485	31,061	2,849	35,613
- corporate	2,062	25,772	2,367	29,584
- advanced	*1,393*	*17,408*	*1,718*	*21,467*
- foundation	*669*	*8,364*	*649*	*8,117*
- institutions	244	3,054	255	3,195
- retail	121	1,512	125	1,562
- secured by immovable property collateral	*6*	*73*	*7*	*83*
- other retail	*115*	*1,439*	*118*	*1,479*
- other	58	723	102	1,272
Standardised	3,635	45,441	3,497	43,715
- central governments or central banks	5	56	5	67
- regional governments or local authorities	2	23	2	19
- public sector entities				
- multilateral development banks	0	6		
- international organisations				
- institutions	1,251	15,641	1,279	15,986
- corporate	137	1,707	42	529
- retail	18	231	26	324
- secured by mortgages on immovable properties	210	2,626	212	2,646
- in default	3	38	3	43
- associated with particularly high risk				
- covered bonds			0	0
- institutions and corporates with a short-term credit assessment				
- collective investments undertakings (CIU)				
- equity	2,007	25,089	1,925	24,065
- other items	2	24	3	36
Credit Value Adjustment Risk	**16**	**195**	**13**	**156**
Market risk	**450**	**5,628**	**210**	**2,623**
- trading book, Internal Approach	13	165	23	288
- trading book, Standardised Approach				
- banking book, Standardised Approach	437	5,463	187	2,335
Operational risk	**369**	**4,614**	**378**	**4,730**
Standardised	369	4,614	378	4,730
Additional risk exposure amount due to Article 3 CRR	8	102	**16**	**195**
Sub total	**6,963**	**87,041**	**6,963**	**87,032**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor				
Total	**6,963**	**87,041**	**6,963**	**87,032**

Note 2, continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight:
Corporate, foundation IRB:	4,758	11,698	17,372	10,831	48.1
of which					
- rating grades 6	1,073	264	1,573	241	17.4
- rating grades 5	2,004	4,398	6,335	3,935	33.0
- rating grades 4	993	6,029	7,876	5,718	59.7
- rating grades 3	324	859	1,091	797	95.3
- rating grades 2	57	91	144	87	165.4
- rating grades 1	5	3	7	2	204.1
- unrated		1	0	0	122.8
- defaulted	302	53	346	51	
Corporate, advanced IRB:	24,296	29,107	43,672	19,721	39.9
of which					
- rating grades 6	519	1,827	1,727	1,138	11.3
- rating grades 5	6,225	10,351	12,943	6,823	23.7
- rating grades 4	13,603	13,989	22,866	9,423	39.9
- rating grades 3	2,363	2,254	4,216	1,905	63.8
- rating grades 2	1,063	301	1,304	247	104.8
- rating grades 1	16	47	58	41	132.8
- unrated	96	153	122	115	16.7
- defaulted	411	185	436	29	198.7
Institutions, foundation IRB:	13,447	861	14,589	430	20.9
of which					
- rating grades 6	6,670	119	6,789	54	7.6
- rating grades 5	6,729	340	7,328	67	30.5
- rating grades 4	30	398	444	307	60.7
- rating grades 3	3	3	5	2	94.2
- rating grades 2	4	1	0	0	234.8
- rating grades 1					
- unrated	11	0	23	0	135.9
- defaulted			0		
Retail, of which secured by real estate:	799	241	980	181	7.5
of which					
- scoring grades A	353	123	444	92	2.7
- scoring grades B	256	65	305	49	6.6
- scoring grades C	140	42	172	32	13.4
- scoring grades D	45	10	53	7	23.4
- scoring grades E					
- scoring grades F	2	0	2	0	64.8
- not scored	1	1	1	1	21.8
- defaulted	2	0	3	0	147.9
Retail, of which other retail:	3,139	2,594	4,961	1,822	29.0
of which					
- scoring grades A	1,087	1,497	2,149	1,062	10.5
- scoring grades B	1,058	570	1,462	404	22.8
- scoring grades C	539	324	759	222	37.1
- scoring grades D	236	130	322	86	46.7
- scoring grades E	103	29	122	19	53.3
- scoring grades F	49	8	55	6	84.9
- not scored	6	28	25	18	53.2
- defaulted	61	8	67	5	486.6
Other non credit-obligation assets:	723	1	723	0	100.0

Nordea does not have the following IRB exposure classes: equity exposures, central governments and central banks, qualifying revolving retail.

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing.

Note 2, continued

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requiremen	CCoB	CCyB	SII	SRB	Capital Buffers total	Total
Common Equity Tier 1 capital	4.5	2.5	0.6			3.1	**7.6**
Tier 1 capital	6	2.5	0.6			3.1	**9.1**
Own funds	8	2.5	0.6			3.1	**11.1**
EURm							
Common Equity Tier 1 capital	3,917	2,176	509			2,685	6,602
Tier 1 capital	5,222	2,176	509			2,685	7,908
Own funds	6,963	2,176	509			2,685	9,649

(CCoB, CCyB, SII, SRB and Capital Buffers total under the heading "Capital Buffers")

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	31 Dec[1] 2016	31 Dec[1] 2015
Common Equity Tier 1 capital	14.1	14.3

[1] Including profit for the period.

Capital ratios

Percentage	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital ratio, including profit	18.6	18.8
Tier 1 capital ratio, including profit	22.0	22.2
Total capital ratio, including profit	27.9	27.1
Common Equity Tier 1 capital ratio, excluding profit	18.2	19.6
Tier 1 capital ratio, excluding profit	21.7	22.9
Total capital ratio, excluding profit	27.6	27.8

Capital ratios including Basel I floor

Percentage	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital ratio, including profit	18.6	18.8
Tier 1 capital ratio, including profit	22.0	22.2
Total capital ratio, including profit	27.8	26.9
Common Equity Tier 1 capital ratio, excluding profit	18.2	19.6
Tier 1 capital ratio, excluding profit	21.7	22.9
Total capital ratio, excluding profit	27.5	27.7

Leverage ratio	31 Dec[1] 2016	31 Dec[1] 2015
Tier 1 capital, transitional definition, EURm	19,167	19,314
Leverage ratio exposure, EURm	216,455	224,816
Leverage ratio, percentage	8.9	8.6

[1] Including profit of the period.

Capital requirements for market risk

	Trading book, IM		**Trading book, SA**		**Banking book, SA**		**Total**	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	11	1					11	1
Equity risk	53	4					53	4
Foreign exchange risk	27	2			5,463	437	5,490	439
Commodity risk								
Settlement risk								
Diversification effect	-14	-1					-14	-1
Stressed Value-at-Risk	88	7					88	7
Incremental Risk Measure	0	0					0	0
Comprehensive Risk Measure								
Total	165	13			5,463	437	5,628	450

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

For further information:

- A press conference with management will be held on 26 January at 9.00 CET, at Mäster Samuelsgatan17, Stockholm.
- An international telephone conference for analysts with management will be held on 26 January at 14.00 CET. Please dial +44(0)20 3427 1908, confirmation code 7166835, no later than 13.50 CET. The telephone conference can be viewed live on www.nordea.com. An indexed on-demand version will also be available on www.nordea.com. A replay will be available until 2 February by dialing +44 (0)20 3427 0598, access code 7166835.
- An analyst and investor presentation will be held in London on 27 January at 08.00 local time at The Langham, 1c Portland Place, Regent Street, London W1B 1JA
- This quarterly report, an investor presentation and a fact book are available on www.nordea.com.
- Nordea Bank AB (publ)'s Annual Report 2016 and the Capital and Risk Management Report (Pillar III) 2016 will be published on www.nordea.com during week 7 (the week starting 13 February). In week 8 (the week starting 20 February) the printed Annual Report will be available.

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Financial calendar

27 April 2017 – First Quarter Report 2017 (silent period starts 7 April 2017)
20 July 2017 – Second Quarter Report 2017 (silent period starts 7 July 2017)
26 October 2017 – Third Quarter Report 2017 (silent period starts 7 October 2017)

Stockholm 26 January 2017

Casper von Koskull
President and Group CEO

This report has not been subject to review by the Auditors.

This report is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the English version shall prevail.

The information in this report is such, which Nordea Bank AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 CET on 26 January 2017.

This report contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) macroeconomic developments, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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